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THESIS

UNEMPLOYMENT INSURANCE IN THE UNITED STATES

Submitted by

BERNICE EVELYN MASON

(B. S. in Ed., Boston University, 1928)

In partial fulfillment of the requirements
for the degree of Master of Education

1934

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CHAPTER ONE

THE PROBLEM OF UNEMPLOYMENT

The Major Social Problem

The problem of unemployment has been under discussion in the United States for some years and proposals to deal with the situation by legislative action have been considered at various times, but since the beginning of the present depression the agitation for unemployment insurance has been increased. The need for some solution to the problem reaches the individual consumer, the community and society as a whole.

The increasing division of labor has resulted in an economic order in which more and more people work for wages. As the agricultural areas have become utilized the numbers of workers in other industries have increased. As new machinery and inventions have thrown millions out of work new problems of labor adjustments have been created which neither industry nor the state can ignore.

Unemployment is the greatest evil of our modern economic system and is responsible for many other social problems. Most persons know

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Unemployment is the greatest evil of our modern economic system and is responsible for many other social problems. Most persons know

that there are large groups of men and women who are unemployed every year, men and women who are willing to work but who cannot obtain employment. Wage earners receive an income only when employed and, in view of the American standard of living, it is apparent that at no period of American industrial life, not even excepting the recent period of inflated prosperity, have the earnings of the mass of workers in the United States been sufficient for the necessities of a full family life, regardless of any attempts to save for periods of emergency. Statistical evidence shows that during the years 1890-1920 the great bulk of workers never attained the minimum standard of earnings deemed necessary by students and government authorities for the day-to-day support of a standard American family.[1] Basil M. Manly, former Joint Chairman of the National War Labor Board, in a study of real wages and living costs in 1922, reached the following conclusion:[2] "With the exception of a few isolated occupations that were

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that there are large groups of men and women who are unemployed every year, men and women who are willing to work but who cannot obtain employment. Wage earners receive an income only when employed and, in view of the American standard of living, it is apparent that at no period of American industrial life, nor even excepting the recent period of inflated prosperity, have the earnings of the mass of workers in the United States been sufficient for the necessities of a full family life, regardless of any attempts to save for periods of emergency. Statistical evidence shows that during the years 1920-1930 the great bulk of workers never attained the minimum standard of earning deemed necessary by economists and government authorities for the day-to-day support of a standard American family.[1] Basil M. Manly, former Joint Chairman of the National War Labor Board, in a study of real wages and living costs in 1928, recorded the following conclusion:[2] "With the exception of a few isolated occupations that were

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miserably underpaid in 1900, no class or group of workers has succeeded in maintaining unimpaired the real value of their wages as measured by the buying power which they possessed in 1900. With the exception of a few isolated and exceptionally skilled trades, the wages of American workers are insufficient, without supplement from other sources, to provide for the subsistence of a family consisting of a husband, wife and three minor children, much less maintain them in that condition of "health and decency" which every humane consideration demands."

During the period 1921 - 1929 real wages in the United States increased by 13% due to the failure of prices to rise as rapidly as wages during that time. If ever there was justification for the claim that American workers were receiving a wage sufficient to include savings, it should have been true of this period. A comparison of forty-four estimates of weekly budgets for a standard of health and decency for a family of five during the 1920 - 1930 decade shows that the absolute minimum required for the decent support of a worker's family was about $35.00 per week,

measably undergone in 1930, no class or group of workers has succeeded in maintaining unimpaired the real value of their wages as measured by the buying power which they possessed in 1929. With the exception of a few isolated and exceptionally skilled trades, the wages of American workers are insufficient, without supplement from other sources, to provide for the subsistence of a family consisting of a husband, wife and three minor children, much less maintain them in that condition of "health and decency" which every humane consideration demands."

During the period 1921 - 1929 real wages in the United States increased by 15% due to the failure of prices to rise as rapidly as wages during that time. If ever there was justification for the claim that American workers were receiving a wage sufficient to include savings, it should have been true at this period. A comparison of forty-four estimates of weekly budgets for a standard of health and decency for a family of five during the 1920 - 1930 decade shows that the absolute minimum required for the decent support of a worker's family was about $25.00 per week.

or $1820 per year.[1] A survey of the earnings of wage earners during 1920 - 1932 on the basis of fifty weeks of work in each year shows that in no case did any group receive the amount deemed necessary for an adequate livelihood.[2] If consideration is given to the fact that workers do not have fifty weeks of work in the year, the picture becomes more discouraging. The National Bureau of Economic Research has compiled a table of average annual earnings of wage earners, taking account of actual unemployment for the years 1920 - 1928.[3] This table shows that in no year did earnings equal as much as 70% of the $1820 required for a minimum standard of living. In only three years (1920, 1926, 1927) did earnings reach more than 65% of the minimum, while in other years

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[1]Abraham Epstein, "Insecurity, A Challenge to America," pp. 97-98.

[2]National Industrial Conference Board, "Wages in the United States 1914 - 1930," pp. 54 and 166.
National Industrial Conference Board, "Wages in the United States 1931," pp. 33 and 44.
National Industrial Conference Board, "Service Letter on Industrial Relations," Monthly Issues 1932.

[3]W. I. King, "National Income and Its Purchasing Power," pp. 146-147.

or $1250 per year.[1] A survey of the earnings of wage earners during 1920 - 1929 on the basis of fifty weeks of work in each year shows that in no case did any group receive the amount deemed necessary for an adequate livelihood.[2] If consideration is given to the fact that workers do not have fifty weeks of work in the year, the picture becomes more discouraging. The National Bureau of Economic Research has compiled a table of average annual earnings of wage earners, taking account of actual unemployment for the years 1920 - 1928.[3] This table shows that in no year did earnings equal as much as 75% of the $1250 required for a minimum standard of living. In only three years (1923, 1926, 1927) did earnings reach more than 60% of the minimum, while in other years

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[1] Andrews Broadus, "Unemployed, A Challenge to Service." pp. 37-38.

[2] National Industrial Conference Board, "Wages in the United States 1920 - 1930." pp. 24 and 26. National Industrial Conference Board, "Wages in the United States during 1921." pp. 32 and 64. National Industrial Conference Board, "Service Letter on Industrial Relations." Monthly Issues 1928.

[3] W. I. King, "National Income and the Purchasing Power." pp. 144-147.

(1923, 1924, 1925) they were between 60% and 65% of the minimum. In the depression years of 1921 and 1922 earnings were only 50% and 56% respectively of the amount needed for the decent support of a family. Since 1929 the wages of all workers have been so reduced that they are still further removed from the required minimum. Thus it may be concluded that in the last decade only a very few of the wage earners in the United States have earned enough to maintain for themselves and their families a decent American standard of living and have, therefore, been unable to save any substantial amount toward self help in times of unemployment.

Not A New Problem

The fact of unemployment is not new. In the Middle Ages the guild to which the worker belonged took measures to aid its members when unemployed.[1] England as early as 1575 enacted the first national law designed to aid those who were involuntarily unemployed.[2] In this country as

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[1]William Bailey, "Unemployment Insurance," p. 3.

[2]Mary Barnett Gilson, "Unemployment Benefits in Great Britain," p. 25.

(1926, 1934, 1936) they were between 50% and 60% of the minimum. In the depression years of 1931 and 1932 earnings were only 31% and 35% respectively of the income needed for the decent support of a family. Since 1929 the wages of all workers have been so reduced that they are still further removed from the required minimum. Thus it may be concluded that in the last decade only a very few of the wage earners in the United States have earned enough to maintain for themselves and their families a decent American standard of living and have, therefore, been unable to save any substantial amount toward aid in times of unemployment.

Not A New Problem

The fact of unemployment is not new. In the Middle Ages the guild to which the worker belonged took measures to aid its members when unemployed.[1] England as early as 1576 enacted the first nation-wide law designed to aid those who were involuntarily unemployed.[2] In this country as

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[1] William Bailey, "Unemployment Insurance," p. 6.

[2] Mary Barnett Gilson, "Unemployment Benefits in Great Britain," p. 23.

early as 1819, 20,000 were reported unemployed in Philadelphia, while at the same time in New York there were 10,000 and in Baltimore, 12,000 unemployed.[1]

The problem was not so acute in the United States as in Europe because of the existence of cheap and plentiful lands in the West and the rapid growth of the industrial organization which absorbed most of the surplus labor. But in 1900 about 25% of those normally engaged in gainful occupations were unemployed.[2] The World War drained the country of thousands of workers and diverted the efforts of thousands more into wartime occupations. Women were extensively employed to meet the labor demand, in addition to the flow of former agricultural workers from the rural areas. Unemployment during these years was probably at its lowest point. However, when demobilization took place it released an army of potential workers, many of whom could find no employment. That the problem of unemployment is

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[1]Joseph L. Cohen, "Insurance Against Unemployment," p. 20.

[2]Ibid., p. 24.

early as 1819, 25,000 were reported unemployed in Philadelphia, while at the same time in New York there were 10,000 and in Baltimore, 12,000 unemployed.[1]

The problem was not so acute in the United States as in Europe because of the existence of cheap and plentiful lands in the West and the rapid growth of the industrial organization which absorbed most of the surplus labor. Yet in 1900 about 20% of those normally engaged in gainful occupations were unemployed.[2] The World War drained the country of thousands of workers and diverted the efforts of thousands more into wartime occupations. Women were extensively employed to meet the labor demand. In addition to the flow of farmer agricultural workers from the rural areas. Unemployment during these years was probably at its lowest point. However, when demobilization took place it released an army of potential workers, many of whom could find no employment. Thus the problem of unemployment is

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a growing one is seen in the fact that there was an advance from 4,000,000 unemployed in 1921-22[1] to 12,000,000 in 1929.[2]

The change in the American viewpoint toward unemployment is significant. No longer does the average person think that unemployment is a result of personal incapacity. It is now generally recognized that when a plant closes as a result of lack of demand for its product, the workers are not at fault. The cause lies rather in the maladjustments of factors in the economic system beyond the control of the worker.

Extent of Unemployment

No accurate estimate of the real number of unemployed can be made, for there is no machinery by which adequate unemployment statistics can be obtained. Without a national system of unemployment offices all other surveys are too limited to make them completely reliable. Furthermore, they furnish only an indication of the

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[1] Joseph L. Cohen, op. cit., p. 27.

[2] Charles E. Persons, "Census Reports on Unemployment," The Annals, (March, 1931), p. 12-16.

a crashing one is seen in the fact that there was an advance from 4,000,000 unemployed in 1921-22[1] to 12,000,000 in 1929.[2]

The change in the American viewpoint toward unemployment is significant. In longer days the average person thinks that unemployment is a result of personal inequality. It is now generally recognized that when a plant closes as a result of lack of demand for its product, the workers are not at fault. The cause lies rather in the maladjustments of factors in the economic system beyond the control of the worker.

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[2]Charles X. Larsons, "Causes Reports on Unemployment," The Annals, (March, 1931), p. 12-16.

manual worker class, for commercial and office workers are not usually adequately represented in such surveys.

The Census of April, 1930 showed 48,832,589 persons classed as gainful workers, of whom 2,429,062 or 5% were wholly unemployed and 758,585 were listed as temporarily laid off without pay.[1] In January of 1931 a special census, covering nineteen of the largest cities was taken. Unemployment is at its peak during this month and it was found that 6,050,000 were unemployed as compared with an average of 1,500,000 before the war.[2] The Bureau of Labor Statistics reports a downward trend in the amount of employment from 1926 on, as shown by the General Indexes of Employment in the Manufacturing Industries.[3] The United States Chamber of Commerce estimates

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[1]American Labor Legislation Review, June, 1930, pp. 124-125.

[2]Monthly Labor Review, (April, 1931), pp. 35-36.

[3]Trend of Employment and Turnover, United States Department of Labor, October, 1931, p. 3.

annual worker class, for commercial and office workers are not usually adequately represented in such surveys.

The census of April, 1930 showed 48,929,599 persons classed as gainful workers, of whom 2,929,092 or 5% were wholly unemployed and 726,825 were listed as temporarily laid off without pay.[1] In January of 1931 a special census, covering nineteen of the largest cities was taken. Unemployment is at its peak during this month and it was found that 6,080,000 were unemployed as compared with an average of 1,800,000 before the war.[2] The Bureau of Labor Statistics reports a downward trend in the amount of unemployment from 1932 on, as shown by the General Index of Employment in the Manufacturing Industries.[3] The United States Chamber of Commerce estimates

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[1]American Labor Legislation Review, June, 1930. pp. 128-130.

[2]Monthly Labor Review, (April, 1931). pp. 38-39.

[3]Trend of Employment and Turnover, United States Department of Labor, October, 1931. p. 5.

that a minimum of 1,000,000 persons per year have been unemployed over the past twelve years.[1] Labor leaders have estimated the number of unemployed and William Green, President of the American Federation of Labor, placed the number at 6,000,000 in January of 1931 and at 8,000,000 in January of 1932.[2] The increased demand for welfare funds is an additional indication of the increased amount of unemployment.

The Prevailing Situation

In the present emergency there has been federal, state and municipal action to provide food, clothing, shelter and fuel. The problem in the urban centers has been aggravated by the migration from the surrounding areas of workless persons seeking relief which was not available in their own localities. Actual destitution has not been uncommon in many areas during the depression. Large sums have been appropriated for public works

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[1]Employment Regularization in the United States of America, United States Chamber of Commerce, 1931, p. 28.

[2]William H. Green, "8,000,000 Workless," Boston Post, January 9, 1932.

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[1] Employment Regularization in the United States of America, United States Chamber of Commerce, 1931, p. 52.

[2] William H. Green, "8,000,000 Workless," Boston Post, January 9, 1931.

and this has relieved unemployment somewhat in some districts, but of the persons unemployed many are not ditch diggers, brick layers, steel workers, etc. Such a program affects only a certain group of workers, leaving the others still unemployed.

Thus the only defenses which protect the worker in the United States from want are his savings and charity. In 1928 the American Bankers Association pointed out that the average savings for every American man, woman and child was $237. But the term savings as used by that body includes not only true personal savings, but accounts used by business men for purely commercial purposes. The lower reserves required by the Federal Reserve System for time deposits as compared with demand deposits has resulted in a large amount of shifting of temporarily idle funds from demand deposits to savings accounts. As a result of such a procedure there is no adequate way of estimating the volume of true personal savings in the United States, but it is safe to say that it does not

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begin to approximate the amount reported by the American Banking Association. Moreover, such savings are not evenly distributed, but are confined almost entirely to the commercial and financial centers of the country. The mutual savings banks are considered as the common keepers of the worker's thrift, but of the $28,214,907,000 of savings reported in 1931 the mutual banks held only $10,050,866,000, or about one-third of the reported amount. Since relatively few wage earners deal with commercial and national banks or with trust companies, only a very small percent of the time deposits in these banks may be classed as true savings of workers. From 1915 - 1930 the deposits of mutual banks had increased less rapidly than those of other banks. In addition, the findings of various studies indicates that a small number of large accounts hold most of the deposits in savings accounts.[1] In view of these facts the glowing statements made by bankers and

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[1]Hilda Hoffman, "How Large is the Average Savings Account?", Association News Bulletin, Savings Bank Association, State of New York, April, 1932, pp. 49-50.

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others that the masses of American people have sufficient money in savings to withstand hard times may be dismissed. Therefore, the only protection which we are able to provide for the unemployed workers is through charity. Even when properly administered, charity carries with it a feeling of humiliation and is usually inadequate to provide for the needs of the family, besides being contrary to American ideals. It is undesirable both in purpose and effect. Respectable persons want work, not charity, and will endure extreme suffering before asking aid. The United States has prided itself that it had no "dole" system, yet the only protection provided against the losses of unemployment is the real dole of public and private charity. In this connection, it is interesting to note the comment made as a result of a personal investigation by Helen Hall. She says of the English system, "The minimum of security which means so much to them has not produced to any degree the demoralization of family life that our relief methods

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in America are producing."[1] Other European countries, as well, have arrived at the conclusion that provision for the relief of involuntary unemployment is not charity. To give only such relief as will provide a meager living for the unemployed is to make their situation much less desirable that that of independent laborers of the lowest class. These countries consider that the unemployed are not responsible for their plight, that the problem is a social one, and that the state should provide relief on a more dignified basis.

The vastness of the problem is a deterrent to a rapid growth of a sense of public responsibility. This may not be detrimental, however, for the very fact that the problem affects so great a number of persons necessitates the slow development of preventative measures in order to insure the adoption of plans which are sound and workable.

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[1] Helen Hall, "English Dole and American Charity," Atlantic Monthly, May, 1933, pp. 528-529.

CHAPTER TWO

CAUSES AND EFFECTS OF UNEMPLOYMENT

irregular employment, due to the rapid invention of labor saving devices and the introduction of time saving processes, is known as technological unemployment. It is indicative of a faulty adjustment between productivity and purchasing power.

Causes of Unemployment

Personal

The causes of unemployment may be divided into environmental and personal causes.[1] Individual causes include intemperance, crime, indolence, disease, degeneracy, old age and other physical, mental or moral defects. Many of these factors, however, make a person unemployable rather than unemployed.

Environmental

Environmental causes are divided into physical, social, political or economic classifications, each of which will overlap another since a clear line between each group may not be drawn.[2]

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[1] S. H. Patterson, op. cit., p. 284.

[2] Ibid., p. 285.

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[1] E. E. Patterson, op. cit., p. 284.

[2] Ibid., p. 286.

Physical environmental causes would include floods, earthquakes, etc. An uninterested public would be an example of a causal factor found in the social environment. The declaration of war would be an example of a political factor affecting employment. The most important factors, however, are found in the remaining class, namely, the economic environment. This group may in turn be divided roughly into three sections, namely; seasonal movements, cyclical fluctuations, and structural changes.[1]

Seasonal

Seasonal unemployment is due to alternating conditions of demand and alternating opportunities for production throughout the year, caused, for the most part, by variations of the climate and weather and, in some part, by social customs such as Christmas giving and the Easter fashion parade. Seasonal fluctuations in the weather are perhaps the most important. Many of

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[1]A. H. Hansen, Economic Stabilization in an Unbalanced World, p. 144.

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our leading industries, including building, clothing, lumbering, and agriculture, are seasonal for this reason. No matter what progress may have been made in the above industries to stabilize the amount of work, there will always be peak periods caused by the forces of nature.

Consumers wants vary with more or less dependable regularity. Clothing concerns have definite increased demand periods due to the consuming habits of the buying public. The attempts to use the same labor force in two industries, each of which has a different seasonality, in an effort to reduce the amount of unemployment incident to seasonality, has its limitations. Unrelated industries, or those in which a high degree of specialized skill is required, would have difficulty in following any such plan, as would industries influenced by territorial specialization, thus each of such industries is forced to build up for itself a labor reserve from which it can call workers during the busy season.

Cyclical

The business cycle, the second factor

our leading industries, including building, clothing, lumbering, and agriculture, are seasonal for this reason. No matter what progress may have been made in the above industries to stabilize the amount of work, there will always be peak periods caused by the forces of nature.

Consumers wants vary with more or less dependable regularity. Clothing manufacturers have definite increased demand periods due to the consuming habits of the buying public. The attempts to use the same labor force in two industries, each of which has a different seasonality, in an effort to reduce the amount of unemployment inherent to seasonality, has its limitations. Depressed industries, or those in which a high degree of specialized skill is required, would have difficulty in following any such plan, as would industries influenced by territorial specialization, thus each of such industries is forced to build up for itself a labor reserve from which it can call workers during the busy seasons.

Cyclical

The business cycle, the second factor

in the economic environmental causes of unemployment, is still a threatening force in our economic life. Previous to 1929 many persons believed that the cycles had been so nearly smoothed out that grave periods of depression were no longer possible, but the recent depression has dispelled any such notions. The reasons for business cycles are found in the organization and operation of our modern system of production. Cyclical unemployment is most prevalent in certain fields, namely; (1) those industries farthest removed from the consumer, (raw materials), (2) industries producing capital equipment, (iron and steel), (3) industries producing long time consumers goods, (houses and automobiles).[1] It makes its appearance during the downward swing of the business cycle and in a severe and prolonged business depression becomes the prevalent type to which all other causes are subsidiary.

Depressions dry up the sources of demand for labor. Markets are stagnant, production

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Depressions dry up the sources of demand for labor. Markets are cleared, production

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[1]Barnes, op. cit., p. 167.

is reduced, and either some employees must be laid off or the hours of work for all must be reduced. In either case the income of the wage earning group is diminished. During the period from 1929 - 1931, according to the Bureau of Labor Statistics, pay rolls in manufacturing industries declined by 34.3% but the number of workers fell only 24%.[1]

Cyclical unemployment is cumulative for the reason that industries are so interdependent that a slackening of production in one produces repercussions on others.

Structural

The term structural is used to cover all changes in the economic organization of a non-recurrent nature.[2] Such changes are underlying long run innovations, each being a unit in itself, creating an unbalanced condition of the economic factors of production. Included in structural changes are found the following factors; (1) changes in the technique of production, (2) changes

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[1] "Trend of Unemployment Turnover," United States Department of Labor, October, 1931, p. 7.

[2] Hansen, op. cit., p. 148.

is reduced, and either some employees must be laid off or the hours of work for all must be reduced. In either case the income of the wage earning group is diminished. During the period from 1929 - 1931, according to the Bureau of Labor Statistics, pay rolls in manufacturing industries declined by 34.5% but the number of workers fell only 22%.[1]

Cyclical unemployment is unsatisfactory for the reason that industries are so interdependent that a slackening of production in one produces repercussions on others.

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The term structural is used to cover all changes in the economic organization of a non-recurrent nature.[2] Such changes are numerous, long run innovations, each being a unit in itself, creating an unbalanced condition of the economic factors of production. Included in structural changes are found the following factors: (1) changes in the technique of production. (2) changes

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[2] Hansen, op. cit., p. 148.

in the location of industries, (3) changes in the demands of consumers, (4) appreciation of the monetary unit, (5) uneconomic wage level, (6) overpopulation, (7) scarcity of capital, (8) maladjustments in the equilibrium of the demand for and the supply of labor, (9) industrial conflict rather than cooperation, (10) changes in tariff and international trade,[1] (11) decay and merging of industries.[2] A brief discussion on each of these factors follows.

Technological unemployment is not new to the industrial order. It had its beginnings in the period of the Industrial Revolution with the change from the domestic to the factory system and the introduction of machines for processes formerly performed by hand. Mechanical invention has been more rapid in the last century than before, therefore the problem of technological unemployment has been more recently acute. For every new machine or improved process some group

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[1]Patterson, op. cit., p. 285.

[2]Epstein, op. cit., p. 240.

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[1] Patterson, op. cit., p. 228.

[2] Epstein, op. cit., p. 240.

of workers has become unemployed. The use of farm machinery has increased the yearly output in agriculture by 28% since 1910, with a reduction of 6% in the labor force.[1] In the auto industry it is estimated that 66 out of every 100 workers have been displaced by machines during the past sixteen years. In the clothing industry one machine displaces 25 girls and one pressing machine does the work of 2½ hand pressers. Technological unemployment, through the increased adoption of office machinery, also affects many clerical workers.

In theory such unemployment is temporary and such workers will be absorbed by other industries. Furthermore, the new invention lowers the cost of production, hence reducing the price of the article produced. A lower price would lead to greater purchasing, in turn leading to increased production and the re-employing of workers. Likewise, the reduced costs would leave free purchasing power which could be ap-

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[1] Thomas F. Tarbel, Unemployment Insurance, Journal of American Insurance, June, 1931, p. 26.

of workers has become unemployed. The use of farm machinery has increased the yearly output in agriculture by 80% since 1910, with a reduction of 25% in the labor force.[1] In the auto industry it is estimated that 25 out of every 100 workers have been displaced by machines during the past sixteen years. In the clothing industry one machine displaces 25 girls and one processing machine does the work of 25 hand processors. Technological unemployment, through the increased adoption of office machinery, also affects many clerical workers.

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plied to other goods, increasing the productivity in other lines, thus affording a source of employment for discharged workers. Other fields than that of manufacture would expand and would absorb some of the workers so that ultimately, it is contended, all would find employment.[1]

In years of prosperity and increased output the number so absorbed may approximate the number displaced but such absorption is not great enough to include those displaced during depression years.[2] Thus there is a steadily increasing number of unemployed at all times.

In the past there have appeared from time to time new fields of development which have absorbed large numbers of workers. The automobile, the radio, the motion picture industry, are examples, but during the last six years nothing new has appeared in the industrial order which gives promise of any such parallel development.

The results of changes in the location

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[1]Douglas and Director, The Problem of Unemployment, Chapter 10.

[2]Epstein, op. cit., p. 235.

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[1] Douglas and Director. The Problem of Unemployment, Chapter 10.

[2] Epstein, op. cit., p. 558.

of industries are easily recognized. The removal of any industry displaces most of the workers, for the immobility of labor is a historical fact. Where a particular area has been the field of concentration for a particular industry the removal of that industry is more severely felt in that the whole population must adjust itself. International changes in the location of industries may affect the status of employment of the whole country.

The fact that changes in demand cause a decline in certain industries, and therefore, produce unemployment is well known. Styles are set by the classes and imitated by the masses.[1] When a given article becomes too common a new one is substituted. Such changes are social in character but have important economic consequences, for, because production precedes consumption, changes in the wants of consumers cause misdirected production and subsequent unemployment.

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[1] Patterson, op. cit., p. 290.

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monetary unit and falling prices in his list of causes of unemployment.[1] In brief, his discussion points out that, historically, periods of unemployment have been periods of appreciation of the monetary unit. Under such conditions the money income of society becomes insufficient to purchase the goods produced. A reduction in prices brings with it a reduction in wages and other incomes. This shortage of monetary purchasing power rests, in the final analysis, upon the failure of the monetary and banking structure to keep pace with the increasing output of goods.

Hansen also lists an uneconomic wage level as a cause of unemployment.[2] The most generally accepted view of the matter is that if wages are higher than the marginal productivity of labor, labor and capital will be used more economically. Inequalities result, and in a competitive system those suffering the greatest disadvantage will be forced to suspend operation, thus creating unemployment. Furthermore, wage

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[1] Hansen, op. cit., p. 149.

[2] Ibid., p. 155.

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[1] Hansen, op. cit., p. 149.

[2] Ibid., p. 188.

rates are not sufficiently elastic to counterbalance reduction when prices are forced to lower levels. It is difficult to charge wages alone with the necessity of readjustment, however, for elasticity in the other factors of production would tend to alleviate the burden of unemployment which results from changes in economic conditions.

Overpopulation may be regarded in a certain sense as being a cause of unemployment.[1] Development of a dense population comes through the exchange of finished industrial products for food and raw materials. In the event that the market for such industrial products is diminished a country would find its population too large to procure full employment at the wage level deemed necessary by its people to maintain an adequate standard of living in that country. A lower wage level might enable more persons to be employed, but unless the wages were sufficient to maintain the minimum standard of living a

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condition of underemployment would result.

It is asserted that reabsorption of unemployed workers into industry would be facilitated by an increase in the supply of capital. The theory is that with a larger capital fund, interest rates would be lowered and more of the total income would be assigned to wages. Labor would become more productive, reabsorbing those workers who had been forced, by the competition of an excess labor supply, to work below the going wage level, as well as those actually unemployed.

In the long run, the demand for and the supply of labor must balance, but at any given moment there may not be a perfect balance between the demand for and the supply of labor. The present economic order depends on a division of labor and exchange. Regularity of employment depends on the precise adjustment between production and consumption of numberless economic goods and services by specialists who are unknown one to another. So long as this delicate adjustment is maintained, so long will there be employment, but

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if friction occurs in some one part the whole structure suffers. The production of capital goods in order to produce consumers goods may be more effective than the direct method, but, it is likewise more susceptible to misdirection. Goods manufactured in anticipation of demand are subject to the whims of the buying public. Thus, there arises in the economic order maladjustments in certain industries and in certain localities, displaying itself now here, now there, but always somewhere, therefore creating for society a continuous problem.

It would be difficult to determine just what part of the unemployment total was due to strikes and lockouts rather than to general business conditions. In times of prosperity the demands of labor are more readily acceded to than in times of depression and while the immediate cause of a strike or lockout may be the refusal to change the existing order of things, the reason for the refusal may be the general condition of business at that time.

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the tariff is not so much whether there is or is not a tariff, but that there is more or less continual shifting of the tariff schedule. Every change upsets the equilibrium which has existed between the demand for and the supply of labor. That there has been a change from a local to a national economy is well known, but a fact less recognized is that there is an approach to an international economy; thus, any disturbance of the usual channels of international trade will produce unemployment in some part of the world.

The factor of business consolidation so commonly found in the present economic order is another cause of unemployment. Mergers affect the clerical and executive forces rather more than the other workers, but the securing of employment for these persons is no less a serious matter than to the manual worker.

Effects of Unemployment

On the worker and his family

The chief burden of unemployment rests on the individual. He suffers a loss in wages

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CHAPTER THREE

METHODS OF DEALING WITH UNEMPLOYMENT OTHER THAN INSURANCE

Since the beginning of the present depression countless proposals have been offered to cure unemployment. Some of them are so extreme as to necessitate a complete reorganization of our social structure; others come within the scope of the present industrial order. The most frequent suggestion is that of regularization of industry.

Stabilization of Industry

Something has been done by a few firms toward stabilization of their businesses through adoption of the following procedures: (1) sales and market policies designed to obtain a more even rate of orders, (2) a planned program for sales and production during the year, (3) the development of "side lines" and "fillers" for the slack season, (4) flexible working hours. The only forms of business stabilization which are at all possible under our present competitive system, however, are those which are profitable. Under such conditions, stabilization is not philanthropy; it is good business. The industries

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in which substantial success has been reported are those favored with unusual leadership and have been of the kind which produce standard commodities, not affected by fashion, requiring little storage space and who have a quasi-monopoly over their product. In addition, they have built up an efficient body of workers, thus forcing the less efficient into the more irregular occupations. If the regularization of industry should become general, we should find the greatest unemployment among those least able to bear it.

According to Professor Mitchell, "to devise stabilization plans which will work as we wish, we need to know more about economic processes and their interrelations than we know now."[1] The California Unemployment Commission also points out, "Even granting the possibility of universal adoption of stabilization policies, this in itself cannot be expected to solve the problem of unemployment. Moreover, to be effective from a social point of view, a comprehensive

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program of stabilization for industry as a whole would necessitate, in view of the close interdependence existing between industries, some sort of coordinated action not only within each establishment, but also within each branch of industry and within industry as a whole."[1] The essence of the American system of production, as of every capitalistic economy is free competition. Competition and economic planning are diametrically opposed forces, with nothing in common between them. No corporation will voluntarily surrender any of the advantages it has over its competitors. A planned system of economy can be erected only over the dead body of the competitive system. So long as the profit motive in industry remains there can be no stifling of competition and therefore no control over the recurrent cycles of peak production and depth of depression.[2] The movement for industrial regularization is very small, however, and there seems to be no

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sufficient proof that an extension of this plan would adequately alleviate the unemployment problem.

Stabilization of the Business Cycle

Much has been heard about plans to stabilize the business cycle through the stabilization of either the price level or money incomes. The objectives of any such plans of stabilization are (1) to give justice to creditors and debtors and (2) to secure business stability by preventing maladjustments in the internal price structure. The latter is perhaps the more important of the two. Business stability is best secured if selling prices of producers are reasonably steady; therefore, the stabilization of the wholesale commodity price index is recommended. Hansen[1] concludes, however, after a study of all proposals, that stability is best accomplished when the price index of commodities which are affected either but little or not at all by cyclical fluctuations is stabilized. Such stability would

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allow a moderate and normal movement of the price level, a factor necessary in order that appropriate alterations in output may be effected. The outstanding points in its favor are (1) it would not force a depression in the industries least affected by cyclical fluctuation such as would occur if a general commodity price level were chosen for stabilization, (2) it would permit freer scope to a normal expansion of those industries which are stimulated to greater activity during the prosperity phase of the business cycle, but would hold such expansion in check since the price level of non-cyclical commodities would be held in check, (3) it would ensure a reasonable stability of prices over a long period of time, thus preventing the intense periods of depression following a downward price movement.

Public Works

Stabilization of the business cycle through the national long term planning of a public works program has many supporters. A start was made in long range planning of public

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Stabilization of the business cycle through the national long term planning of a public works program has many supporters. A start was made in long range planning of public

works by the passage of the Wagner bill in 1931. This bill provides for the creation of a Federal Stabilization Board whose duty it shall be to notify the President from time to time of the trend of unemployment and the approach of periods of depression. Whenever the President shall decide that a depression is liable to exist within six months he is requested to transmit to Congress such estimates as he deems advisable for emergency appropriations to be expended upon public work. The appropriation is not to exceed $150,000,000 in any one year, and is specifically confined to highway, river and harbor, flood control and public buildings projects. Every department engaged in eligible work must prepare and keep plans in readiness. The Director of the budget is required to consolidate these plans and make recommendations covering the ensuing six years.

Two questions need to be answered in considering public works as a means of stabilization of the business cycle. (1) To what extent can a program of public works either halt or

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Two questions need to be answered in considering public works as a means of stabilization of the business cycle. (1) To what extent can a program of public works either halt or

measurably reduce unemployment during depressions? (2) Is it possible for such undertakings to revive trade and set the business pendulum into normal swing?

Certain limitations as to the nature of the works which the government has the power to undertake appear. The undertakings would be confined to the construction of roads, post office buildings, schools, warships, harbors and docks, irrigation projects, bridges, hospitals, subways and grade crossings. Such projects would benefit only the workers engaged in building and construction trades and associated industries, and the spread to other industries would be slight. Furthermore, since so much of the work is performed by machinery, only a small portion of the total cost would go to wages. During a depression the highest rate of unemployment is found in the building trades, to be sure, but, because private construction would likewise be so heavily curtailed, public construction would have to be nearly doubled to take care of the unemployment within that field before it could hope to include

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workers in other lines.

Effective long term planning of public works meets many practical objections. The peak of unemployment is reached at a time when construction is most difficult to carry on because of the weather. Maintenance and repair construction cannot be readily timed. It would be extremely difficult for public officials to withhold new construction in a time when revenues were plentiful, for such facilities are deplorably below requirements. Not only are officials unduly optimistic as to the future, but the general public clamors for visible evidences of their prosperity. The impossibility of predicting depressions acts as another deterrent to scientific long term planning and, furthermore, it cannot be readily ascertained whether or not a particular locality will be severely affected by depression. It is wasteful of public money to carry on public works in sections where such projects are not needed. The administration of public works is not vested in one agency, but is performed by thirty-nine different federal

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agencies. A coordinated plan of governmental action would be extremely difficult to obtain under such circumstances. The legal delay in getting plans drawn up and approved and in the floating of a bond issue would partially offset the advantages of expanding public works during a period of depression.

Long term planning for capital expansion in relation to the business cycle is more applicable to private corporations than governments, because of the greater continuity of management and the real incentive of lower fixed expenses incident to expansion.

Shorter Hours

Shorter hours as a remedy for unemployment are being vigorously advocated. How far this is a proper remedy is a question. So far as seasonal and cyclical unemployment is concerned, it is a useful expedient to spread out the unemployment in the off season, thus minimizing the distress. Each worker shares the unemployment burden, making short time employment out of actual unemployment. Such a plan, however,

agencies. A coordinated plan of governmental action would be extremely difficult to obtain under such circumstances. The legal delay in getting plans drawn up and approved and in the floating of a bond issue would partially offset the advantages of expanding public works during a period of depression.

Long term planning for capital expenditure in relation to the business cycle is more applicable to private corporations than governments. Because of the greater continuity of management and the real incentive of lower tied expenses incident to expansion.

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places the least efficient worker on an equal footing with the most efficient. While this method may be socially desirable, it does not yield the greatest profits to the employer or the largest income to the most efficient workers.

When shorter hours are advocated as a permanent policy, two additional factors must be considered, (1) an increase in hourly wage rates, or (2) no increase in wage rates. If an increase in wage rates accompanies a reduction in hours of work it tends to keep the amount of earnings of those employed at the same level as formerly, but the increased costs, unless offset by a gain in worker productivity would tend to force marginal firms out of business, thus actually increasing unemployment. Even superior firms would find it necessary to eliminate their least efficient workers as an economy measure. If shorter hours are not accompanied by an increase in the hourly wage rate, the income of workers is decreased. In addition, it defeats the supposedly automatic effect of technological changes. It is apparent that such a plan cannot be seriously adopted as a permanent policy.

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Elimination of Juvenile Labor
Pensioning of Older Workers

The elimination of juvenile labor and the pensioning of older workers rests on the presumption that displaced workers are not entirely reabsorbed into the economic system. Such action seems to be justifiable, both from an economic point of view, and because it is socially desirable for these persons to be removed from the labor supply.

Wage Adjustments

It has been suggested that wage adjustments be made based on an index of unemployment and such a plan to have nation wide scope, but to be administered by each separate trade union and in each locality.[1] Whenever the unemployment in any local trade union rose above a stated figure, the wages should be reduced by an agreed amount. Such a measure would, it is claimed, stimulate

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the demand for that grade of labor and would tend to induce some members to enter other trades or move to some other region. If unemployment should fall below the stated figure, wages would be advanced by a given amount. This plan depends upon a close correlation between the demand for labor and wages irrespective of other disturbing factors. In such a dynamic world as the one in which we live, the effect of isolated remedial measures is difficult to determine; therefore, the value of this plan is open to question.

Charity

The belief that in normal times private philanthropy takes care of most of the relief needs was never based on facts. At no time has private charity met even so much as one third of the relief burdens of the nation. Allen T. Burns, executive director of the National Association on Community Chests and Councils stated in testimony before the United States Sub-Committee on Manufactures in December, 1931, "Privately contributed funds such as those given through community chests,

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constitute only 30% of the total which communities spend for relief of destitution. The remaining 70% comes from local government funds. These percentages do not vary greatly as between normal times and times of depression covering a period of years. Public funds, not private funds, are the main dependence in American communities for relief.[1] It took the protracted depression to call attention to the utter insufficiency of private philanthropy. The public charity system was not adequately prepared to meet the acute situation facing it, due to the lack of a long planned comprehensive policy of public relief. The failure of both public and private charity has (1) caused the complete collapse of all social work standards and individual case work, (2) spelled tragedy and starvation to thousands of persons throughout the United States, (3) pauperized and demoralized the recipients, (4) created greater duplication of effort and

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[1] Unemployment Relief Hearings before a Sub-Committee of the Committee on Manufactures, United States Senate, December 28, 1931 - January 9, 1932, pp. 125-128.

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waste of expenditure than was ever known either here or abroad and (5) placed the burden of relief upon those least able to bear it. Indeed, it has made private charity and relief drives the greatest and most active industry in the United States.[1]

Private Relief Measures

The voluntary plans in existence in the United States are of three types; benefits by union, employers plans and joint plans by employers and trade unions.

Trade union plans

The plans are similar in purpose; that is, the members are willing to assess themselves in order to assist members who may be out of work.

The only source from which benefits can be paid is from the accumulated fund supported by members of the union. Such benefits are most frequently financed through regular dues, or assessments to a special fund. The fund may be set up through payments of a specified part of the organization's dues, usually 50¢ per week

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per member or of a percent of earnings while employed, or by regular assessments in addition to dues. The assessments may be regularly levied, or they may be called for as the condition of the fund requires it. A few unions have no special fund, but pay benefits from the general fund. Contributions are usually made by all members of the group and the amount of contribution in the various unions varies widely because such contributions are not determined on an actuarial basis, but rather by the amount the members are willing to pay for protection.[1]

Benefits vary widely but in most cases the maximum is not over $20 a week. A reduction of the amount paid inversely to the length of unemployment tends to discourage members from remaining unemployed. The rate paid has little scientific basis. It represents either the estimated least amount an unemployed person can subsist on, or the largest amount which can be paid from whatever income the members will provide. Every plan differentiates between the

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rate paid to members of long standing and those more recently members, the former receiving larger benefits. Some unions allow additional benefits for members with dependents.

Membership and good standing in the union for a specified time is usually required.[1] Registration is commonly required and a waiting period provided for. The securing of employment elsewhere eliminates one from eligibility.

Trade union out-of-work benefit plans are of two kinds, international and local. This does not affect administration because international unions have been operated through local branches. The plan is usually administered by an executive council, by a special committee of the union or by one or more appointed officers.

In April, 1931, the United States Bureau of Labor Statistics found that unemployment benefit plans of a more or less permanent and systematic character were maintained by forty-eight local unions with a membership of slightly less than 45,000 or only about 1½% of the total

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trade union membership in the country.[1] The printing trade dominates with 31 of the 45 plans being maintained by them. The predominance of local plans is due to the fact that small groups can be more easily persuaded to adopt a benefit plan and the administration of such schemes can be more successfully carried out by a small group than by a national group with a scattered membership.

International plans

Three very small internationals, the German-American Typographical Union, the Siderographers, and the Diamond Workers provide unemployment benefits. These unions are composed for the most part of foreign workmen who regard benefits as insurance for which they are willing to pay.

The German Typographical Union with a membership of 541 is composed of printers of German publications. The unemployment benefit plan was centralized in 1842, but the fund is financed by each local union from its general fund. Each year all locals report to the union

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[1]Unemployment Benefit Plans in the United States, United States Bureau of Labor Statistics, Bulletin No. 544, July, 1931, p. 19.

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[1] Unemployment Benefit Plans in the United States. United States Bureau of Labor Statistics. Bulletin No. 616. July. 1931. p. 12.

headquarters the amount remaining in their fund, and the central office provides for equalization. Local unions then exchange payments, those who saved larger amounts pay to those who had heavier losses, until the reserve fund of each union represents the same amount per member. The essentials of the plan are:[1]

1. The general Secretary of the organization has control of administrative purposes only. He determines equalization payments but all local administration functions are performed by local unions.

2. The benefit fund is financed by local unions from the general fund at the rate of $1.85 per month per member. Once a year the funds of the locals are equalized.

3. Benefits of $6 per week, to begin as soon as a person becomes unemployed and to continue for not longer than 16 weeks and not to exceed $96 in one year nor more than $24 in any one quarter. Members must report daily to receive benefits and forfeit them if working at other trades.

The International Association of Siderographers, with a membership of less than 100, is engaged in a special branch of engraving. Their plan was established in 1913 and its main

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2. The benefit fund is financed by local unions from the general fund at the rate of $1.05 per month per member. Once a year the funds of the locals are equalized.

3. Benefits of $5 per week, to begin as soon as a person becomes unemployed and to continue for not longer than 16 weeks and not to exceed $65 in one year nor more than $24 in any one quarter. Members must report daily to receive benefits and forfeit them if working at other trades.

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[1] "Unions Invite Against Unemployment," American Federation of Labor, p. 48.

features are as follows:[1]

1. Administration by international offices.

2. Funds contributed by the unions at the rate of 15¢ per month per member.

3. Benefits paid only if members have worked at their trade for two months during the year--paid as soon as unemployed at the rate of $5 per week but not to exceed twenty-six weeks in a year. Members must report to the President of the union once a week.

The Diamond Workers established a plan in 1912 which has the following provisions:[2]

1. Administration by officers of the union.

2. Contributions by the union only, at the weekly rate of 50¢ per member set aside from the regular dues.

3. Benefits paid after a waiting period of three weeks at the rate of $9 per week for not more than sixteen weeks in a year.

The limitations of trade union methods are obvious; their benefits are too meager and the reserve fund too small to provide adequate relief when most needed. In addition, the plans cover only a small portion of the total workers

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[1] "Unions Provide Against Unemployment," op. cit., p. 4.

[2] Ibid., pp. 107-112.

features are as follows:[1]

1. Administration by international officers.

2. Funds contributed by the unions at the rate of 1½ per month per member.

3. Benefits paid only if members have worked at their trade for two months during the year--paid as soon as unemployed at the rate of $4 per week but not to exceed twenty-six weeks in a year. Members must report to the President of the union once a week.

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2. Contributions by the union only, at the weekly rate of 50¢ per member not exceed from the regular dues.

3. Benefits paid after a waiting period of three weeks at the rate of $3 per week for not more than sixteen weeks in a year.

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[1]"Unions Provide Against Unemployment," op. cit., p. 6.

[2]Ibid., pp. 107-112.

of the nation. However, trade union insurance plans do help to relieve some part of the suffering caused by unemployment, and in addition, perform an important service in pointing the way to a more comprehensive system of unemployment insurance.

Employers' Plans

The United States is one of the few countries in which employers have voluntarily experimented with unemployment funds. Company plans, though not numerous, have commanded considerable attention as a possible method of relieving the suffering caused by unemployment, and as a substitute for public unemployment insurance. Company plans have been initiated largely by employers interested in scientific management as a complementary part of an equalization program. Fifteen individual company plans exist at the present time and it is estimated that eventually 226,000 employees will come within the scope of the existing plans, but the potential coverage is, at present, much greater than the number of employees now eligible for benefits.

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The Columbia Conserve Company really guarantees its workers an annual salary for the length of time they are retained or not demoted. Since this company is largely owned and managed by the workers, dismissal or demotion is in their own hands. Proctor and Gamble guarantee forty-eight weeks work to those who have been employed for more than six months' time and have purchased stock in the company. These companies are usually included in a discussion of unemployment benefit plans because of their success in providing continuous employment, which is, after all, the best insurance against unemployment.

The Dennison Company provides not only for compensation during unemployment, but payments to supplement diminished earnings which result from the transfer from one department or job to another. In the event of unemployment, workers with no dependents receive sixty percent of their average earnings for the preceding six months, while those with dependents receive eighty percent.

The plan of the Dutchess Bleaching

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Company and the Rockland Finishing Company (both owned by Deering Milliken) provides that if a worker has less than forty-eight hours of work a week he shall be paid one-half of the earnings which he lost. The United Diamond Workers, in order to compete with the Diamond Workers Union, pays during unemployment twenty-five percent of their wages to all male manual workers employed for more than six months, and twenty percent to all women manual workers, while those in supervisory positions are paid a larger amount. In all of the above mentioned plans the workers do not contribute anything, unless one includes the instance of stock purchase. The funds for these payments are accumulated by the employers until they reach a reserve figure large enough to provide normal benefits when needed.

In 1930 the General Electric Company instituted a plan for unemployment benefits. This plan calls for contributions from workers of 1% of their actual weekly or monthly earnings for as long as they are earning more than half pay, and this sum is matched by an equal

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contribution from the company. The payments for unemployment amount to fifty percent of an average full time wage, but not to exceed twenty dollars a week nor for more than ten weeks during a year. The emergency clause of the plan is of interest. It provides that in cases of emergency when outgoing payments are making a heavy drain on the reserve, specifically when outgoing payments equal or are more than incoming payments, all workers, whether members of this plan or not and employed more than half time, are assessed 1% of their salaries. This includes everyone from the general manager down. Furthermore, the overhead administration and sales force are assessed that fraction of a percent of their salaries which the payroll of that plant forms of the total payroll of the company. The assumption is that this will have the direct effect of making the higher officials share in the burdens of the manual laborers and of offering a stimulus to the sales force and others to get more business to counteract the decrease in their salaries.

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Joint Plans

There are a number of cases in the United States where unemployment insurance has been provided by collective agreements between unions and employers. The terms are a matter of contract and are obligatory upon the parties during the period fixed in the contract. The outstanding examples are the Amalgamated Clothing Workers in the men's clothing markets of Chicago, New York and Rochester, the forty week guarantee in the women's clothing industry of Cleveland by the manufacturers to the International Ladies' Garment Workers and the recent national agreement of the full fashioned hosiery industry between manufacturers with union shops and the full fashioned hosiery workers. In the Chicago plan of the Amalgamated Clothing Workers, put into effect in 1923, one and one-half percent of the payroll is paid by the workers and three percent by the employers. After waiting for a period of one week of unemployment, benefits are paid amounting to 30 percent of the full time wages of the workers, but not to exceed $15 a week or

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for more than three and three-fourths weeks in each season. An interesting feature of this plan is that it also includes payment for short time work on a basis of forty percent of the hourly wage below thirty-six hours per week. The funds are administered by the unit system, each factory controls its own funds; thus, in this way the fund is subject to payments only in case of unemployment in its own factory, but all firms are directed by the same board of trustees and rules between factories are uniform. An efficient unemployment bureau is an outstanding feature of this plan.

The New York and Rochester plans were established in 1928 and have the following differences from the Chicago system:

1. Employers alone contribute to the fund to the amount of one and one-half percent of the payroll.

2. The New York fund covers the whole of the market rather than being divided into funds for each establishment.

3. The rules are not as precise as in Chicago; the need of the applicant is the determining factor in granting benefits, a fact which causes no little embarrassment at times in administration.

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Under the Cleveland plan employers guarantee forty weeks of work and agree to pay one-half the wages which regular workers may lose from failure to have forty hours work. From 1927 - 1929 this had resulted in payments of one-half of one percent of the total wages for that period, and less than one percent of the total sales of the firms concerned, showing the slight burden on industry entailed by such an arrangement.

On June 3, 1932 the National Electrical Manufacturers Association, comprising three hundred companies, employing some two or three hundred thousand persons and responsible for from eighty to ninety percent of the output of their field, proposed an unemployment insurance plan. This is the first instance of an entire industry associating its members in a definite attempt to provide protection against unemployment for its employees. The plan is similar to the set up of the General Electric scheme with contributions from both employers and employees, the percentage being one percent for each. However, if the employer guarantees work enough to equal fifty percent of the normal wage he is

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excused from making a contribution.

The pioneer steps toward group unemployment insurance, however, have been taken in Rochester, New York. Even before the depression, a Committee on Civic Unemployment was given the task of focusing community attention to the problem of unemployment and to awaken local employers to their responsibility in aiding the solution of the problem. That this committee has done effective work is evidenced by the fact that nineteen companies each employing from forty-five to thirteen thousand workers have joined in an unemployment benefit scheme which in normal times affects more than twenty-six thousand workers. Added to this, steps have been taken to stabilize seasonal and even to reduce cyclical unemployment. The employers admit such a plan is to their advantage. They contribute two percent of the annual payroll until five payments have been made. This fund was ready to use in January of 1933. Workers who are eligible for benefit payments are those whose average earnings are less than fifty dollars per week and who are employees

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The pioneer state towns group unemployment insurance, however, have been taken in Rochester, New York. Even before the depression, a Committee on Civic Unemployment was given the task of focusing community attention on the problem of unemployment and to assess local employers in their responsibility in aiding the solution of the problem. That this committee has done effective work is evidenced by the fact that nineteen companies each employing from forty-five to thirteen thousand workers have joined in an unemployment benefit scheme which is normal times affects more than twenty-six thousand workers. Added to this, steps have been taken to stabilize seasonal and even to reduce cyclical unemployment. The employers admit such a plan is to their advantage. They contribute two percent of the annual payroll until five percent have been made. This fund was ready to use in January of 1932. Workers who are eligible for benefit payments are those whose average earnings are less than fifty dollars per week and who are employed

of more than one year's service. They receive sixty percent of their average earnings with a maximum of twenty-two dollars and fifty cents per week. The duration of payments is dependent on the length of service, six weeks for those previously employed between twelve and eighteen months, up to thirteen weeks for those of five years or more of service, after a waiting period of two weeks. Part time workers are given the difference between actual earnings and entitled benefits and if working temporarily elsewhere earnings so obtained are deducted from normal wages and any difference is paid from the fund. In an emergency an extra tax of one percent on all officials and workers can be levied to bolster up the fund. The amount thus paid is matched by the company plus its regular contribution. The administration of this plan is through a committee appointed by the management and provides that unemployed persons are required to register at public employment offices and to report to their respective companies when requested. Such persons must accept

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reasonable work if it is offered, else forfeit the right to benefits. The benefit is further limited to involuntary unemployment and liability of the employer for payments is limited to the amount of the fund.

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CHAPTER FOUR

UNEMPLOYMENT INSURANCE

The Need for Unemployment Insurance

To restate the problem of unemployment: (1) although there are no accurate data as to the extent of unemployment in the United States, there is sufficient information to indicate that even in the best of times from 2,000,000 to 3,000,000 workers are always unemployed, and that during the present depression the number has so far mounted from 5,000,000 to probably 15,000,000.[1] (2) The causes of unemployment are inherent in the very nature of our social structure and are of the very flesh and blood of the existing system of production. (3) The consequences of unemployment are far reaching and are a threat to the continuance of our social order. (4) The worker is unable to provide for prolonged unemployment through his savings because of the inadequacy of wages. (5) Charity as a means of alleviating distress is both insufficient and humiliating. (6) The majority of the remedies suggested for

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[1]Epstein, op. cit., p. 303.

The Need for Unemployment Insurance

To resume the problem of unemployment:

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(6) The majority of the remedies suggested for

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[1] Bogardus, op. cit., p. 703.

the reduction or abolition of unemployment either go contrary to social habits and natural forces which are insurmountable in practice, or if feasible, can effect only slight improvements.

It may be assumed that the present industrial order will be maintained in the United States for some time to come, and so long as the present structure of society lasts, some unemployment will exist. A greater problem of unemployment than in former normal years may even be expected. Since unemployment cannot be abolished without giving up the present system of production and since the majority of Americans are not seriously considering the demolition of the present social order, some way must be found to prevent the distress which unemployment now involves.

There is scarcely any form of unemployment relief which has been suggested for the United States which has not been tried previously in some European nation. Private charity, poor relief, "made work," relief, public works, trade union benefit plans and company welfare schemes have all been found wanting. Therefore, the need

for some other method of dealing with the evils of unemployment seems evident. Unemployment insurance, based on the principle that while workmen are employed, pooled reserves may be built up which will be paid out as benefits in time of unemployment, due to causes beyond their control, has proven most satisfactory.

Definition of Insurance

Insurance is "that agency which protects an individual against loss, by the payment, in the event of some definite occurrence resulting in a loss, of an agreed sum of money out of a systematically accumulated fund previously collected from, or on account of, a group of persons of which such an individual was a member. The contingency for which the individual is protected may be one which, so far as he is concerned, may never occur at all, or may be one which is bound to occur at some time, but of which the time of occurrence is unknown."[1]

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[1]United States Chamber of Commerce, "Report of the Committee on Continuity of Business and Employment," p. 31.

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[1]Walton Hughes Chamberlain of Columbia, "Report of the Committee on Continuity of Insurance and Employment," p. 61.

Requisite for Application of Insurance to Industry

A loss, to be covered by insurance, must be a loss which can, in some measure, be evaluated in money. Employment has a monetary value, so that as far as the worker is concerned, the risk of loss of income by unemployment comes within the definition of insurance. The only sources of actuarial data for the determination of rates, at present, however, is to be found in the records kept by the few individual employers who have experimented with unemployment benefit plans.

The conception of insurance is confined to those who are normally employable. To include those who are unemployable would be to relegate the insurance principle to the status of poor relief. The probability of the occurrence of the contingency must be predictable. Unfortunately, all types of unemployment are not predictable. The contingency must be one to which large numbers are exposed, but which is unlikely to affect simultaneously all the insured persons. This requisite seems applicable to unemployment, for practically all wage earners are exposed to the

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risk of loss of income. In addition, the loss can be distributed, for it is unlikely that the entire mass of wage earners would be out of work at the same time. Finally, the loss must be beyond the control of the insured. Able-bodied workers, willing to work, but unable to secure employment, cannot be held accountable for their position. Employers, as such, do not deliberately cause unemployment. The problem is a social one beyond the control of any individual.

Insurability of Specific Types of Unemployment

Two classes of unemployment, that caused by industrial disputes and that by personal incapacities must be excluded. The risk in these cases is of such a character that it can never be covered by any type of insurance. The difficulties of determining the risks of cyclical unemployment present obstacles to a scientifically calculated plan. Depressions vary in their causes, severity and duration and cannot be readily predicted. No single insurance fund could cope with unemployment caused by an extended de-

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pression. Other sources of relief would necessarily have to be employed. Technological unemployment, at present, does not constitute an insurable risk. There is no basis for determining how much of a deterrent, if any, the payment of unemployment benefits would be to the reabsorption of displaced workers in other occupations. Of all the forms of unemployment, normal seasonal unemployment is most capable of being protected in accordance with an actuarial calculation of the risk.[1]

The most important factor in the possibility of relief by insurance is the accumulation of a sufficient reserve to meet potential demand. When an insurance scheme is established, payment of benefits cannot begin immediately, but must be deferred until such time as a substantial reserve has accumulated.

Public Insurance Plans

Unemployment insurance plans established in foreign countries fall into two classes,

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namely: compulsory and voluntary. Compulsory systems are those under which unemployment insurance according to prescribed conditions is obligatory for designated classes. Voluntary plans, like the Ghent system, include trade unions having insurance plans of their own, encouraged and subsidized by the state, but the establishment of such plans is not obligatory. The difference is one of degree rather than of kind, for there is a marked tendency for trade union funds which began as voluntary plans to become compulsory.

There is a wide difference in the systems on most of the important points; coverage, methods of contribution, provisions for benefits and methods of administration, but they agree in the main in their objective, namely, the relief of the distress caused by unemployment by some form of insurance.

The following table gives a list of the voluntary unemployment insurance plans with the year of establishment and the number of persons so covered.

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Voluntary Unemployment Insurance Plans[1]

Country	Year	Number Insured
Belgium	1920	708,000
Czechoslovakia	1921	1,250,000
Denmark	1927	306,000
Finland	1918	Suspended
France		
Insurance Associations	1905	300,00
Municipal Funds	1914	All workers in districts covered
Netherlands	1916	503,000
Norway	1915	44,000
Spain	1931	.....
Switzerland	1924	250,000
Ugoslavia (Miners and Metal Workers)		.....

[1]Epstein, op. cit., p. 347.

Voluntary Unemployment Insurance Plans[1]

Country	Year	Number Insured
Belgium	1930	705,000
Czechoslovakia	1921	1,580,000
Denmark	1927	504,000
Finland	1918	Suspended
France		
Insurance Associations	1905	300,00
Municipal Funds	1914	All workers in districts covered
Netherlands	1916	800,000
Norway	1918	44,000
Spain	1921	.....
Switzerland	1924	450,000
Yugoslavia (Miners and Metal Workers)		.....

[1]Yoshida, op. cit., p. 447.

Voluntary Plans

Unemployment insurance went through the stages of voluntary effort before it became compulsory. Belgium and Denmark offer an example of the evaluation and problems of voluntary insurance. In Belgium due to a decentralized government the initiative was taken by cities, but later the national government took over the responsibility for aid and has evolved a system of rules and regulations to which local authorities must conform. In Denmark the initiative was taken by the national government with the local authorities as agents of supervision in areas where they are, by virtue of their close contact, qualified to know local conditions of unemployment.

The Ghent system, as the plan which originated in Ghent, Belgium, in 1894 was called, was made a law in 1901 with the principle of subsidizing associations of workers having definite programs for paying out-of-work benefits to their unemployed members and also to individual workers who independently provided for unemployment through savings. In the first years of its operation

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many minor modifications were made in the general plan, but, due to the unusual conditions existing during and after the war a complete reorganization became necessary. The whole insurance system was unified and is now administered by the National Emergency Fund, created in 1920,[1] whose governing body is composed of nine members, three of whom are technically qualified to deal with unemployment, three who represent the employers and three who represent the workers. This governing body examines the rules of societies applying for recognition to the Minister of Labor, makes recommendations of these applications, supervises the use of funds granted through the board, hires and discharges its own staff and may be empowered, when the occasion arises, to authorize loans to facilitate the undertaking of public works affording employment in times of depression. The income of the various societies is derived from the contributions of their members, a state grant of two-thirds of the amount collected by the members and

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[1] Unemployment Insurance in Theory and Practice, National Industrial Conference Board, pp. 25-34.

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[1] Unemployment Insurance in Theory and Practice, National Industrial Conference Board, pp. 20-24.

grants from the communes and provinces (the amounts not specified.) As it works out, the communal and provincial assistance is about as large as that of the state, thus making the amount coming from public funds slightly more than that contributed by the workers. The amounts of payments in the case of Belgian societies may vary since each society administers its own payments, but there are certain broad regulations concerning payments as a whole; for example, no payments are made to those unemployed due to a strike, to those refusing other suitable work, etc. Insurance is not paid to a worker until he has been employed regularly for a period of one year and has paid his contributions during that time. There are also provisions for emergency payments in the case of prolonged depression, etc. It must be remembered that in Belgium unemployment insurance is voluntary and even though heavily subsidized by public funds, is practically limited to the trade unions and reaches only half the workers. This system gives little inducement to industry to stabilize production and distribution so as to regularize

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employment, and the employer as a factor in the unemployment situation is left out entirely.

Unemployment insurance in Denmark is based on the Ghent system and except for minor differences in organization or administration is the same. A provision is made that where a Fund, (as a group organizing for the purpose of securing unemployment insurance is called,) is organized by a trade union, persons desiring to be admitted but who are not members of a trade union, must be allowed to join the Fund and receive its benefits; but in spite of this provision most of the insured workers belong to unions.

It becomes evident that, if adequate protection is to be given the bulk of wage earners, a national system of compulsory insurance for all workers, with the burden distributed among all groups of society, is the only fair solution of the problem.

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Compulsory Insurance

Compulsory insurance plans are now in practice in thirteen countries and protect 48,000,000 workers. Each insurance does not claim

to be a panacea against all ills, to cure unemployment or to stabilize production. It aims primarily to insure against the hazards of unemployment.

The compulsory feature is necessary because it has been proven that voluntary insurance of any kind cannot offer adequate protection to the masses. Even when encouraged and stimulated by the government, voluntary insurance plans have not been successful. The poorest workers either cannot or will not take advantage of optional insurance plans. Compulsion is essential as the sole means of extending protection to all who need it.

In addition, the compulsory feature has certain advantages. Such insurance is freed from all the competitive charges inherent in private insurance. There are no expenses of promotion and advertising and no agents' fees, thus, all the funds paid in are used for the payment of benefits. Furthermore, the compulsory feature of such plans has the advantage of equally distributing the burden of unemployment. When the workers alone have to bear the brunt of unemployment, it is in effect subsidizing the defects in our economic

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order.

The compulsion factor meets with opposition on every hand, but compulsory legislation is not unknown in the United States. There is probably no country today where prohibitive and mandatory legislation is so prevalent.[1] There are restrictive immigration laws, compulsory education laws, laws restricting the employment of children in industry, compulsory food and factory inspection, sanitation, zoning, traffic laws and a host of others. Workers are familiar with wage deductions for all sorts of purposes, sick benefit funds, factory welfare plans and other contributions of various sorts. The sole aim of such legislation is that of promoting human welfare and as such cannot be objected to by any socially minded citizen.

The question as to whether workers should contribute to unemployment insurance plans has been raised. So far as sound principles of social insurance are concerned it is not essential that workers make direct contri-

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butions to such insurance. They, it is claimed, are not responsible for the conduct of business and really do make a contribution in that in times of unemployment there is a partial loss of income even under unemployment insurance plans. But from a psychological and practical angle it is desirable that workers shall contribute. Participation protects the worker's self respect and distinguishes such benefits as he may receive from the "dole." It gives him a share in the plan and a right to participate in its administration, and it encourages thrift.

Employers should be required to contribute for industry is held responsible for the efficient maintenance and upkeep of its plants and machinery. Workers are vital to efficient production, therefore should be included as a factor for which responsibility is recognized. A program of social insurance promotes the workers' welfare, improves their standard of living and raises their efficiency. Employers are direct beneficiaries of these betterments so should help to finance them. Compulsory in-

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surance equalizes competition between industries by making all employers bear a proportionate share of the cost.

Contributions from the government are advocated on the grounds that it is the duty of the state to promote the welfare of its citizens, and that the resulting improvements in health and social standards would save sums now spent in caring for the unfortunate victims of economic maladjustments. The state would be justified in obtaining its funds from income and inheritance taxes, for it seems a small price for the individual to pay for the guarantee of the stability of the social order and a more stable production which means more sure and steady profits. Individuals ultimately pay the costs of social relief as now administered, for the increased demands for welfare aid are being met through money obtained by increasing the tax levies and in donations to private charity. The use of income and inheritance tax moneys for the purposes of social insurance would equalize the contributions, for they would be collected in proportion to a

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person's ability to pay. Under the present system many do not give in proportion to their ability. In reply to the assertion that such taxation would prevent the accumulation of capital funds for productive enterprises, it may be said that the available capital in the United States is in excess of the demand and large amounts have been exported to other lands for use there. Every issue of government securities has been oversubscribed. Capital has been so plentiful and cheap that industries have been expanded far beyond demand or even ability to consume granted that unlimited purchasing power were available.

Insurance in England

In England the trade unions had worked out schemes for aiding their members during periods of unemployment. The unions were afraid their efforts would be absorbed in a national system and were not in favor of compulsory insurance. Under the direction of the Poor Law Commission a system of state controlled employment exchanges were set up. In 1911 the Board of Trade sponsored the National Insurance Bill and the second

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part of that bill contained the scheme for unemployment insurance. It went into effect in July, 1912 and was necessarily of an experimental nature since it was the first system of its kind anywhere. Only a few selected trades were originally included, namely: building, construction of works, ship building, mechanical engineering, iron foundries, vehicle construction and saw milling, and all manual workers in these trades plus any others receiving less than one hundred sixty pounds per year were covered. Weekly contributions were made by employees which were matched by similar contributions by employers and added to by the state by a contribution of one-third of the combined amounts. In paying benefits a distinction was made between workers 18 years of age and over and those under 18 years; those under 18 receiving only one-half the amount paid the others. Benefits were not paid until after a specified number of days of unemployment and were paid for only a limited number of weeks, and restricted to a specified ratio of benefits to each paid up contribution. In order to receive the payments

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a worker must have been employed in an insured trade for a specified length of time and to prove that he was capable of work but unable to secure suitable employment. The aim of the 1911 act was to evolve an actuarially sound insurance plan and was not primarily concerned with the length of unemployment nor the need of the worker. The plan was successful in its operation in its first years under normal conditions. In 1916 coverage was extended to workers in the munition and allied war industries trades. During the war there was little unemployment and although many advocated at that time the extension of insurance to include more workers it was delayed until 1920, thus providing grounds for an outstanding criticism of the system.

With the cessation of the war and the demobilization of the army, England faced the problem of reemploying not only her ex-service men but workers who had become unemployed because war industries had ceased. Political and economic affairs were in chaos, and rather than face possible revolution, out-of-work grants were given to ex-service men who were unable to secure employment. Later these grants were extended to

a worker must have been employed in an insured trade for a specified length of time and be prove that he was capable of work but unable to secure suitable employment. The aim of the 1911 act was to evolve an materially sound insurance plan and was not primarily concerned with the length of unemployment nor the need of the worker. The plan was successful in its operation in its first years under normal conditions. In 1916 coverage was extended to workers in the munition and allied war industries trades. During the war there was little unemployment and although early advocated at that time the extension of insurance to trades now covered it was delayed until 1920. This provided grounds for an outstanding criticism of the scheme.

With the cessation of the war and the demobilization of the army, England faced the problem of reemploying not only her ex-service men but workers who had become unemployed because war industries had ceased. Political and economic affairs were in chaos, and rather than face possible revolution, out-of-work grants were given to ex-service men who were unable to secure employment. Later these grants were extended to

other workers. This relief was not part of the insurance system, but, because it was administered by the labor exchanges, public opinion associated the two and the term, "dole", used to characterize the government grants at the time, was applied to insurance benefits as well. The criticism of these emergency measures while it was unfounded, shook public confidence in unemployment insurance principles. In 1920 an act was passed extending coverage to a larger number of industrial workers and raising the benefits without increasing the rates of contributions. In most of the important details the act of 1911 was followed and its purpose was to definitely establish again the insurance principle. But the legislation passed did not recognize the effects of widespread and prolonged unemployment and was inadequate to meet the situation. The government has been criticized for its failure to shoulder more of the financial burden at the beginning, a procedure which would have stabilized unemployment funds, and for the many changes made between 1921-1928 which undermined the contributory basis of the insurance system by

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the progressive extension of the period in which benefits were paid, and by the softening of the requirements for benefit claims and finally by the elimination of the arithmetical relationship between weeks of contribution and weeks of benefits.

Immediately following the act of 1920 came the depression of 1921-22. The workers who had recently been included in insurance provisions had not built up sufficient reserves to care for the prolonged unemployment which occurred, yet they had been promised protection. Therefore, a system of extended benefits was initiated which gave additional grants to those who had exhausted their regular insurance benefits. From this time until 1927 the insurance act became a political football amended first in one direction, then in another, with a growing tendency for the insurance principle to be disregarded and degeneration into a glorified dole system.

In 1931 important changes were made under the National Government. Contributions were increased and benefits were decreased, original benefits were limited in duration and additional grants allowed only upon the basis of need. While

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Immediately following the act of 1940 came the determination of 1941-42. The workers who had recently been included in insurance provisions had not built up sufficient reserves to care for the prolonged unemployment which occurred, yet they had been granted protection. Therefore, a system of extended benefits was initiated which gave additional grants to those who had exhausted their regular insurance benefits. From this time until 1947 the insurance act became a political football shuttled first in one direction, then in another, with a growing tendency for the insurance principle to be disregarded and determination into a florrtion dole system.

In 1951 important changes were made under the National Government. Contributions were increased and benefits were decreased. Original benefits were limited in duration and additional grants allowed only upon the basis of need. While

these additional grants were handled by the employment exchanges they were under the direction of the local poor law administrators and the expenses incurred were met by the government.

The method of administration of the British unemployment insurance is simple, direct and less expensive than that of private insurance. The Labor Exchanges not only perform the duties connected with the payment of benefits but also have charge of placing workers. The costs of administration are borne by the Fund.

While there is dissatisfaction with the British Unemployment System, there are few advocates to the return of the Poor Law principles of the nineteenth century. The Committee on Industry and Trade, headed by the late Sir Arthur Balfour, in its report in 1929, says of the effects of the British Unemployment System:[1] "On the broad question of the merits and value of the Unemployment Insurance scheme as a whole, both from the point of view of general social welfare and that of industrial and commercial efficiency, our opinion

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is that the scheme has amply justified its establishment. That working people should by some method of insurance be safeguarded against the worst risks of involuntary unemployment is, in our opinion, a very great advantage, not only to themselves, but to the trades which they follow; for there is nothing so detrimental to industrial capacity and morale as long continued idleness without sufficient means of sustenance. How the country would have fared had not the insurance machinery been available in its time of need, we find it difficult to imagine. Throughout the last few years, it has been a matter of constant comment that so deep and prolonged a trade depression has produced so little actual suffering in comparison with the experience of far slighter and more transient periods of depression before the war. There has been practically no decline in the consumption of the essential necessaries of life in spite of the fact that a million or more workers have been earning no wages at their trades. For this happy result, a large part of the responsibility undoubtedly rests with the Unemployment Insurance scheme."

is that the scheme has amply justified its establishment. That working people should by some manner of insurance be safeguarded against the short risks of involuntary unemployment is, in our opinion, a very great advantage, not only to themselves, but to the trades which they follow; for there is nothing so antagonistic to industrial harmony and moral as long continued idleness without sufficient means of maintenance. Now the country would have fared bad not the insurance machinery been available in its time of need. We find it difficult to imagine, considering the last ten years, it has been a matter of constant comment that so deep and prolonged a trade depression has produced so little actual suffering in comparison with the experience of the middle and more fortunate periods of depression before the war. There has been practically no decline in the consumption of the essential necessaries of life in spite of the fact that a million or more workers have been earning no wages at their trades. For this happy result, a large part of the responsibility undoubtedly rests with the Unemployment Insurance Scheme.

Insurance in Germany

In Germany various forms of unemployment relief were tried, but, due to the unsettled conditions of labor and the whole economic structure after the war, these were unsuccessful and in the end a scheme based on the same principle as that of Great Britain was adopted. After exemptions had been made, four-fifths of the wage and small salary earners were included in the unemployment insurance system established by the act of 1927. The entire burden of financing this insurance rested on the workers and employers, with government aid only in time of emergency and prolonged unemployment, and with provisions for contributions from both local and federal authorities. The regular contributions are made according to the income of the worker, half being paid by him and the other half by the employer. The government pays the entire cost of administration. The conditions of payment are much like those of England with the exception that persons receiving sick or maternity benefits or any other form of payment are excluded from unemployment benefits at

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the same time. The control of this system rests in the hands of workers and employers on a national scale. This was the logical outcome since the government under normal conditions has no share in the contributions, but it retains a supervisory interest in the person of the Federal Minister of Labor. From 1927-1930 various adjustments have been made in administration, but in the main the original system has been carried over.

The following table lists the foreign countries having compulsory unemployment plans, giving date of establishment, and the number of persons so covered.

Compulsory Unemployment Insurance Plans[1]

Country	Year	Approximate No. Insured
Austria	1920	1,300,000
Bulgaria	1925	287,000
Germany	1927	20,600,000
Great Britain	1911	12,600,000
Irish Free State	1911	295,000
Italy	1919	4,500,000
Luxemburg	1921	Not operative
New Zealand	1930	.....
Northern Ireland	1911	265,000
Poland		
Manual workers	1924	924,000
Salaried workers	1926	258,000
Queensland	1922	170,000
Russia		Suspended
Switzerland		
12 cantons and Zurich		200,000

All wage earners and salaried persons earning below a specified sum are included with the exception of domestic, agricultural and governmental workers. In most plans, the contribu-

[1]Epstein, op. cit., p. 351.

Compulsory Unemployment Insurance Plans[1]

Country	Year	Approximate No. Insured
Austria	1920	1,200,000
Bulgaria	1926	367,000
Germany	1927	20,600,000
Great Britain	1911	12,000,000
Irish Free State	1911	288,000
Italy	1919	4,000,000
Luxembourg	1921	36[illegible] operatives
New Zealand	1920	.....
Northern Ireland	1911	206,000
Poland		
Manual workers	1924	424,000
Salaried workers	1924	286,000
Czechoslovakia	1924	170,000
Russia		Surpassing
Switzerland		
12 cantons and Zurich		200,000

All wage earners and salaried persons earning below a specified sum are included with the exception of domestic, agricultural and governmental workers. In most plans, the contribu-

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[1]Epstein, op. cit., p. 321.

tions are made by the workers, employees and the government, but in some the government contributes only in an emergency.

Insurance in the United States

The situation in the United States differs from that in foreign countries, in that the United States is not a single governmental unit and the responsibility for legislation of this type is conceded to the individual states rather than to the federal government.[1] The view is that regularization of employment is a matter for each individual employer to deal with. Few employers have attempted to reenforce stabilization plans with unemployment benefits. Only one state, namely, Wisconsin, has succeeded in passing any form of unemployment insurance.

The Wisconsin Unemployment Insurance Act

The original Wisconsin bill was introduced into the legislature in 1921 and again with amendments in 1923, 1925 and 1927, but was de-

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[1] National Industrial Conference Board, "Unemployment Benefits and Insurance," p. 78.

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Unemployment in the United States

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The original Wisconsin bill was introduced into the legislature in 1921 and again with amendments in 1923, 1925 and 1927, but was de-

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[1] National Industrial Conference Board. "Unemployment Benefits and Insurance." p. 7a.

feated each time. In this the burden was placed upon the employer, on the principle that as pressure placed upon the employer in the workmen's compensation act tended to induce them to reduce accidents, in order to reduce the premium payments, so would a similar pressure cause them to find means to reduce unemployment. When it was finally passed in 1932 it was the first legislative action by any state in the United States in the matter of compulsory insurance.

Its primary purpose is unchanged from the original, namely, to promote industrial planning to stabilize industry and thus employment, but, realizing that complete stabilization is not attainable, provides reserves for relief. The provisions which have to be met, even by schemes of a voluntary nature which are provided for, are as follows:

1. Applicable to employers having ten or more workers, with the exceptions of farmers, domestic servants, etc.
2. Contributions of two percent of the weekly payroll of workers receiving less

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1. Applicable to employers having ten or more workers, with the exceptions of farmers, domestic servants, and.

2. Contributions of two percent of the weekly payroll of workers receiving less

than three hundred dollars a month but not under contract. When contributions reach a total of fifty-five dollars per worker the rate may be reduced to one percent until a maximum of seventy-five dollars is reached, at which point contributions may cease until benefits are paid out. Such money is deposited to the individual employer's account in the state unemployment fund. Each employer's liability is limited to the amount of his reserves.

3. Benefits at the rate of fifty percent of normal wages are paid with a ten dollar a week maximum and for a period not to exceed ten weeks in a year and in relation to the length of previous employment. Irregular workers are eligible, but their benefits would be so small as to be negligible.

It is claimed that by these provisions labor will gain in the following ways:

1. It will strengthen the position of labor in the state.

then there should follow a month but not three months. When contributions reach a total of fifty-five dollars per worker the rate may be reduced to one percent until a maximum of seventy-five dollars is reached. At which point contributions may cease until benefits are paid out. Such money is deposited to the individual employer's account in the state unemployment fund. Each employer's liability is limited to the amount of his reserves.

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It is claimed that by these provisions labor will gain in the following ways:

1. It will strengthen the position of labor in the state.

2. It will afford a modest compensation for the unemployed.

3. It will stimulate regularization of business.

Its sponsors believe the basic provisions are sound and look forward to see it strengthened by raising the contribution rate and the payment of more extended benefits.

The chief criticism of this plan is that it applies only to the larger employers, those having ten or more workers. It gives the smaller employer an advantage, for in the competitive market, for a given grade of labor the wages paid tend to be the same, but the smaller employer has no insurance to pay. However, the plan works against the smaller employer at another point. Provision is made that if a worker who is laid off finds work elsewhere and is recalled by his former employer and does not respond, he becomes ineligible for benefits from that employer. Thus, in good times, the labor supply of the uninsured employers will tend to be unstable, for, wages being equal, the security of insurance is desirable to workers.

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quired reserve per employer limits its effectiveness. Contributions should be made by the employer over a longer period of time, at the one percent rate perhaps, thus raising the limit of the total reserve per employee. Fear that the migration of out-of-state labor for short periods would be prevalent can be allayed because of the inclusion of a clause requiring employers to pay to the fund a lump sum equal to the minimum benefits the discharged non-eligible out-of-state employee would have received had he been eligible. Such sums would be used for the costs of administration.

Other criticisms of this act have been made which are applicable to all acts. The question of malingering on the part of workers under any scheme of unemployment benefits has been raised. In most of the proposed legislation the amount received is so small in comparison with the wants of most people that the benefits received would not act as an incentive to malingering. The claim is made that the two percent contribution is the same as a two percent increase in wages, passed on. It is hard to determine where the incidence rests, for at times it seems

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to be borne by each separately, and at times by a combination of two or more of consumer, employer or employee depending on the conditions causing the particular unemployment. It is generally conceded that unemployment insurance costs should be included in costs of operation, as are premiums paid for accident insurance. The movement of enterprises out of a state having insurance to one not having such insurance seems unlikely, for any concern that would be affected by insurance would be likely to have a considerable capital investment which it would be unprofitable to move. There is a possibility, however, that it may deter new enterprises from entering the state.

An additional criticism points out that a flat rate of benefit does not take into consideration changes in the value of the dollar. In order to overcome this defect some system of a sliding scale of contributions and payments would be necessary.

In summing up the aspects of the Wisconsin law, the observation made by E. E. Muntz is pertinent, "It is simple and direct, with no

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In summing up the aspects of the Massachusetts law, the observation made by E. E. Witte is pertinent. "It is simple and direct, with no

outstanding weaknesses and should be effective in addition to serving as a basis for future legislation."[1]

Other Proposed Legislation

In January, 1916, the first unemployment insurance bill in the United States was introduced into the Massachusetts legislature. It met with great opposition, and was not reported out of committee. The main features of the bill were based on the British Unemployment Act. The provisions were, in the main, as follows:[2]

1. Applicable to all employees over 18 years of age earning $25 a week or less.
2. Contribution to be made jointly, one quarter by the employer, one quarter by the employee, and one-half by the state.
3. Benefits to be scaled from $2.50 to $7, according to the accustomed salary of the insured, and limited to ten weeks in any insurance year and paid only provided

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[1] E. E. Muntz, American Economic Review, September, 1932, pp. 414-428.

[2] National Industrial Conference Board, "Unemployment Benefits and Insurance," p. 82.

outstanding successes can alone be effective in addition to serving as a basis for future legislation.[1]

Other Interesting Legislation

In January, 1935, the first unemployment insurance bill in the United States was introduced into the Massachusetts legislature. It met with great opposition, and was not reported out of committee. The main features of the bill were based on the British Unemployment Act. The provisions were, in the main, as follows:[2]

1. Applicable to all employees over 16 years of age earning $25 a week or less.
2. Contribution to be made jointly, one quarter by the employer, one quarter by the employee, one-half by the state.
3. Benefits to be based from $4.50 to $7, according to the accustomed salary or wage insured, and limited to ten weeks in any insurance year and paid only provided

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[1] E. E. Morris, American Economic Review, September, 1934, pp. 414-422.

[2] National Industrial Conference Board, "Unemployment Benefits and Insurance," p. 88.

the applicant had been employed ten weeks in each of the preceding three years and must have paid at least twenty-six contributions.

A second bill was introduced into the legislature in 1922 and was referred to a special committee on unemployment.[1] In this bill, contributions, as in Wisconsin, are restricted to employers alone, but, whereas stabilization of industry was the paramount issue there, the Massachusetts bill emphasizes the stabilization of income. The sponsors of this bill feel that, although during times of unemployment, the worker receives a benefit, this amount is not equal to his normal wage, he receives no benefit during the waiting period nor after payments have ceased and, therefore, is at so much of a disadvantage, that he should not be asked during periods of employment to make contributions to unemployment insurance funds. This plan follows that of Wisconsin closely with only a minor change or two. An interesting feature of

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[1] National Industrial Conference Board, "Unemployment Benefits and Insurance," p. 85.

the plan is the provision that, to protect the fund from loss through bank failure a petition should be made to Congress to amend the laws governing the Federal Reserve Banks, so that such funds could be deposited with those institutions. Failing this, investment is to be made in government bonds.

The committee reported unanimously against compulsory insurance. The bill was next introduced in 1928 and from then on has been presented in practically the same form each year.

In New York, unemployment insurance was before the legislature in 1933. Several well attended hearings were held, one bill passed the senate, the governor's message stressed the importance of such legislation, but important political forces opposed the bill and it failed to go through on the grounds that industry could bear no further burden, even though the bill provided that no contributions should be made until there had been an increase of twenty points in the index number of factory payrolls in the state (as computed and published by the Labor

The plan is the position that, to protect the farm from loss through crop failure a position should be made to Congress to amend the Land Grant the Federal Reserve Banks, so that mortgages could be deposited with those institutions, failing this, investment is to be made in government bonds.

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Department) over the index for December, 1932, and that the increase continues for six consecutive months before action should be taken. This bill contains essential differences from the Massachusetts and Wisconsin bills. The main points are summarized as follows:

1. In general all manual workers and others earning less than twenty-five hundred dollars per year are eligible.
2. Contributions are to be made by employers of two percent of the payroll of employees so covered plus one percent of the wages of employees. Employers' contributions are to be raised to three and one-half or lowered to one percent according to the stability of employment.
3. Administration to be handled by the state with all contributions collected into one general fund.
4. Benefits of sixteen weeks duration, to the amount of fifty percent of the salary for single persons, but not to exceed twelve and one-half dollars per week, and for

married persons an additional ten percent for a dependent wife plus five percent for each dependent child or parent, with a limitation of a total of seventy-five percent of the salary and in no case to exceed seventeen and one-half dollars per week. Part time workers are to receive benefits commensurate to the time worked.

In Connecticut a commission was appointed to study the situation and offered a plan of dismissal wages for stable industrial workers. This plan provides for the following points:

1. Contributions of two percent from both employer and employee, the contributions from the employer to be made only until a seventy-five dollar per employee point has been reached.
2. In the administration of this plan the contributions from the employees are to be kept separately and are to be used to draw on when unemployed for any reason whatsoever. All funds are to be deposited with the state treasurer.

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2. In the administration of this plan the contributions from the employees are to be kept separately and are to be used to draw on when unemployed for any reason whatsoever. All claims are to be deposited with the state treasurer.

3. Benefits are to be paid to the workers who have been dropped.

   a. Half wages, not to be below five dollars or above ten dollars for nine weeks for those having been employed for forty weeks and continuing for twelve weeks for those having been employed fifty-two weeks, but no worker to receive more than one-hundred twenty dollars in any consecutive fifty-two weeks.

   b. Any worker who is dropped without one week's notice after thirteen weeks and before the fortieth week of work is to receive half pay for two weeks, not to exceed twenty dollars.

   c. Any worker who, after forty weeks work, is cut in pay to below half pay not to exceed ten dollars will receive from the fund a sum which will bring his wages up to that figure for not more than forty-two weeks out of fifty-two weeks and not to exceed one-hundred twenty dollars

5. Gratuities are to be paid to the workers who have been dropped.

a. Half wages, not to be below five dollars or above ten dollars for men weeks for those having been employed for forty weeks and eighteen for twelve weeks for those having been employed fifty-two weeks, but no worker to receive more than one-hundred twenty dollars in any consecutive fifty-two weeks.

b. Any worker who is dropped without week's notice after thirteen weeks and before the fortieth week of work is to receive half pay for ten weeks, not to exceed twenty dollars.

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in any fifty-two week period. In case of subsequent dismissal any supplementary pay so allowed would be deducted from the amount of dismissal wages to which he was entitled.

4. Exemptions from this plan include those receiving over two thousand dollars a year, those who quit work voluntarily, those who are dismissed for cause, those who are unemployed due to trade disputes, those who are mentally or physically handicapped or another way unemployable.

The commission points out the simplicity and economy of the plan and stresses the fact that it has an essential difference from the typical plan in that it does not involve a determination of what constitutes suitable work or of when an employee finds other work and is therefore ineligible for benefits. Under this plan the only way to stop benefits is for the worker to be rehired by his former employer.

In Ohio the main features of the bills which have been drawn up are:

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In this the main features of the bills which have been drawn up are:

1. Contributions of two percent by employers and of one percent by employees.
2. Administration by the state of the reserves which will be pooled.
3. Benefits of fifty percent of the regular salary not to exceed fifteen dollars per week with provision for deducting part time wages from this amount.
4. A waiting period of three weeks before benefits are paid.
5. A one year period in which to build up the fund, during which time no payments are to be made.
6. Provision is made that premiums after three years are to be graded according to the amount of unemployment in each industry.

The plans of the last four states are interesting in view of the fact that their representatives with those of New Jersey and Pennsylvania met in 1932 as an Interstate Commission on Unemployment Insurance, to discuss and formulate plans for unemployment insurance and we may assume that they expected some degree of uniform-

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The plans of the last four states are interesting in view of the fact that their representatives with those of New Jersey and Pennsylvania met in 1932 as an Interstate Commission on Unemployment Insurance, to discuss and formulate plans for unemployment insurance and we may assume that they urged some degree of uniform-

ity to result. Their plan is outline below and it is interesting in the light of legislation which has been subsequently proposed in each state. A comparison of the main details shows variances not only to the Commission recommendation but variances with each other.

1. Compulsory insurance was to be required unless satisfactory voluntary plans were set up.
2. It was to be applicable where six or more persons were employed.
3. Contributions were to be made by employers to the extent of two percent of their payrolls, with a minimum reserve of fifty dollars per worker, a maximum of seventy-five dollars per worker and each employer's reserves to be kept separately.
4. Administration to be by a board on which would be represented labor, industry, and the public.
5. Benefits of fifty percent of the normal wage but not to exceed ten dollars per week or for more than ten weeks in any one year, payable whenever wages become

ly to result. Their plan is outline below and is interesting in the light of legislation which has been recently proposed in some state. A comparison of the main details shows variances not only to the commission recommendation but variances with each other.

1. Compulsory insurance was to be required unless satisfactory voluntary plans were set up.

2. It was to be applicable where six or more persons were employed.

3. Contributions were to be made by employers to the amount of two percent of their payroll, with a minimum reserve of fifty dollars per worker, a maximum of seventy-five dollars per worker and each employer's reserve to be kept separately.

4. Administration is to be by a board on which would be represented labor, industry, and the public.

5. Benefits at fifty percent of the normal wage but not to exceed ten dollars per week or for more than ten weeks in any one year, payable whenever wages become

sixty percent of normal.

6. In addition the establishment of public employment agencies is recommended.

In addition to these states others have legislation pending. In Maryland there is a bill which graduates the percent of contributions of both employer and employee asking one percent the first year, two percent the second, and all other years thereafter. Firms having three or more employees are required to contribute and employees receiving less than two thousand. In order to receive benefits an employee must have made twenty payments in twelve months or forty payments in two years. Benefits are paid at the rate of fifty percent of normal earnings with a maximum of twenty dollars and proportional benefits for part time workers. A waiting period of three weeks is required and there may not be more than twenty weeks of benefits in one year.

In Minnesota a plan has been devised differing from other plans in that normal, seasonal unemployment is disregarded. It is aimed at unemployment due to long seasonal lapses,

sixty percent of normal.

6. In addition the establishment of public employment agencies is recommended.

In addition to these which others have legislation pending. In Maryland there is a bill which guarantees the payment of contributions of both employer and employee making one payment the first year, two payments the second, and all other years thereafter. Firms having twenty or more employees are required to contribute and employees receiving less than two thousand. In order to receive benefits an employee must have made twenty payments in twelve months or forty payments in two years. Benefits are paid at the rate of fifty percent of normal wages with a maximum of twenty dollars and proportional benefits for part time workers. A waiting period of three weeks is required and there may not be more than twenty weeks of benefits in one year.

In Minnesota a plan has been devised differing from other plans in that normal seasonal unemployment is discounted. It is aimed at unemployment due to long seasonal layoffs.

technological changes and depressions; individual resources being counted on for shorter periods. The main points are:

1. Benefits to be paid for forty weeks in the first year (as compared with ten or sixteen months found in other plans) plus twelve weeks in the second twelve months.
2. A waiting period of eight weeks in most industries and up to sixteen in industries regularly having seasonal slumps (construction for an example.)

An instance of insurance against technological unemployment is found in the case of the cloak manufacturers. A levy of eight dollars per week is made on each employer for each pressing machine used during a full week's work. If the machine is not used for a full week's work, the employer shall pay in place of the eight dollar levy a sum equal to fourteen percent of the wages earned by the operator during the week. The proceeds of these contributions are used for distribution to unemployed union pressers, the reason being that each machine does the work of two and one-half hand pressers.

technological changes and depressions; individual resources being nonetheless or for shorter periods. The main points are:

1. Benefits to be paid for forty weeks in one (first year (as compared with two or eighteen months found in other plans) plus twelve weeks in the second twelve months.

2. A waiting period of eight weeks in most industries and up to sixteen in industries regularly having seasonal slumps (construction for an example.)

An imbalance or insufficiency exists technological unemployment is found in the case of the clock manufacturer. A levy of eight dollars per week is made on each employer for each producing machine used during a full year's work. If the machine is not used for a full year's work, the employer shall pay in place of the eight dollar levy a sum equal to fourteen percent of the wages earned by the operator during the week. The proceeds of these contributions are used for distribution to unemployed union members. The reason being that each machine does the work of two and one-half hand workers.

In 1930 the American Association for Labor Legislation drafted a "Model Bill." The basic idea of the bill is to establish, by payments of contributions by employers, a fund from which limited compensation could be paid to unemployed workers for a restricted period. The principle features are as follows:[1]

1. Benefits to be paid, after a waiting period of two weeks, to each eligible employee by the industry fund to which his last employer belongs, or by his last employer directly in case such employer has been exempt from the payments of contributions to the fund; the maximum amount of which shall be $10 per week to an employee 18 years of age and over, and $5 per week to those under 18 years of age, but not to exceed, in any case, 60% of the regular wages of the workers, nor to be granted for more than thirteen weeks in any one week of benefits to four weeks of employment by one or more employers in the state during the preceding two years.

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[1] American Labor Board Year Book, 1931, p. 178.

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American Labor Board Year Book, 1931, p. 172.

2. Workers shall not be eligible if unemployed due to misconduct, or voluntarily idle without reasonable cause or due to a trade dispute, and only if employed by one or more employers in the state for not less than twenty-six weeks in the preceding two years and only while capable of and available for employment but unable to secure it.
3. Contributions only by employers at a rate of 1½% of the wages paid to employees.
4. The administration to the responsibility of the Department of Labor, with an employment advisory committee appointed by the Commissioner for a two year period, composed of an equal number of representatives for employers and employees.
5. The Commissioner to appoint a board of not less than five members known as an Employment Stabilization Board for each industry whose duties would be to fix the benefits as near the maximum amount possible with due regard to the condition of the fund of each industry, the awarding of dividends

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3. Contributions only by employers at a rate of 1% of the wages paid to employees.

4. The administration to the responsibility of the Department of Labor, with an employment advisory committee appointed by the Commissioner for a two year period, composed of an equal number of representatives for employers and employees.

5. The Commissioner to appoint a board of not less than five members known as a Employment Stabilization Board for each industry where a dispute would be to fix the benefits on the maximum amount obtainable with due regard to the condition of the industry each industry, the operating of strikes

to employers based on the successes experienced in maintaining regular employment, and to create employment offices to serve employers.

6. Individual employers or companies offering equivalent or better schemes under adequate guarantee or safeguards would not be required to be members of the compulsory state plan, thus affording employers interested in developing schemes providing greater benefits and opportunity to experiment with private plans.

In the past the American Federation of Labor has not favored compulsory or voluntary unemployment insurance, but its right about fact at the Cincinatti convention held in November of 1932 was expected in light of the agitation for such measures both within and without its ranks. That the federation is anxious as to the position of labor in any scheme proposed is evidenced by the stand they take on certain points, namely:

1. Federal action is taboo - state control, for them, is easier to handle and issues concerning wages would be more clear cut if confined to a territory of state size.

2. It is demanded that there shall be nothing in any program which would prevent a beneficiary from refusing to accept a vacancy due to a trade dispute or a job offering wages less favorable than for similar work in the vicinity or work requiring him to break union ties.
3. Company controlled reserves are objected to as is the handling of reserves by insurance companies, state control with labor represented and such representatives to be chosen by the workers is asked for.
4. The costs to be borne by industry alone as a cost of operation on a basis of three percent of the payroll to begin with is favored.
5. Collection of data concerning employment, production wages, etc. to be used as a basis of future revision of rates is required.
6. Terms and amounts of benefits to be left to each state to decide is recommended but the plan of the Ohio bill for benefit payments is favored.
7. All voluntary schemes to be under state control.

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7. All voluntary schemes to be under state control.

The position of the Federal government on the matter of unemployment insurance is expressed in the Report of the Senate Committee on Unemployment Insurance in which it is indicated that the majority believe that any system of federal operation would involve too many problems and would be too impractical. Since it would have to be supported by taxes the elimination of any class of workers would be discriminatory. The committee does not recommend that the states should themselves operate any plan of unemployment insurance for the same reasons, but suggests that each plant or industry be given a chance to voluntarily formulate a plan for itself, within certain time limits, and if this is not done, then be required to adopt a blanket code set up by the state but administered by the company or group. The main contribution which the federal government might make would be that of allowing exemption from taxation the moneys paid by the companies for such insurance, thus equalizing the cost between those states, plants or industries which do require insurance and those which do not. A study of the possibilities of uniformity is recommended to the governors of

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the various states.[1]

The Outlook for Unemployment Insurance

In spite of the many bills which have been proposed at various times to state legislatures, the plan adopted by the Wisconsin lawmakers is the only one which has been recorded in the statutes of any state. Must unemployment insurance fail? The National Industrial Conference Board, after a study of the German system, is of the opinion that it must.[2] But others are more optimistic. Fundamentally there is no parallel between the German system and that planned for the United States.[3] The American principle is to build up a reserve through payments by industry based on payrolls, each company having its own fund, with the amount contributed reducing as employment is stabilized. Thus, pressure is exerted to keep employment stable so as to save money. With no state subsidy there is no temptation to make the

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[1] Monthly Labor Review, Report of the Senate Committee on Unemployment Insurance, August, 1932, pp. 268-274.

[2] National Industrial Conference Board in the Literary Digest, January 14, 1933.

[3] E. B. Draper, op. cit., p. 10.

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[3] H. R. Tosney, op. cit., p. 10.

fund support the whole burden of unemployment, nor is there any reason to confuse the relative labor position of separate industries or plants.[1] But caution must be exercised in framing legislation[2] and miracles must not be expected.[3]

Business men are like ostriches in regard to pending legislation on unemployment insurance.[4] If the medicine is not to be worse than the disease, business men must decide how it shall be administered, for details are important and not only business men but public men should think about and take part in answering the challenge of unemployment. It cannot be safely ignored.

General Summary and Conclusions

The problem of unemployment should be considered, first, from the viewpoint of prevention or reduction of the contingency to a minimum, and, second, from the viewpoint of relief, or mitigation of the effects that result when complete prevention

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[1] J. P. Chamberlain

[2] Cincinatti Inquirer.

[3] Philadelphia Evening News

[4] Lewisohn, Review of Reviews, March, 1933.

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[2] Clearinghouse Inquirer.

[3] Philadelphia Evening News.

[4] Jenkins, Review of Reviews, March, 1922.

is impossible. Obviously, relief alone is merely a palliative and in no sense a solution of the problem. Unemployment schemes are urged as measures for curing unemployment, but, unless they are used in conjunction with other measures framed expressly for the reduction of or prevention of the volume of unemployment, such plans afford only temporary relief.

The American emphasis on individualism carried with it the belief that unemployment was due to causes of a personal nature. Unemployment was regarded as part of the general problem of poverty and poor relief, arising mainly from the incapacity of the workers themselves. The relief measures adopted were only such as would save the needy from utter destitution. As the total volume of unemployment continued to increase, various methods were advocated to solve the problem. These attempts indicate a changing viewpoint. The opinion is now prevalent that involuntary unemployment is beyond the control of the worker and his condition is not one which calls for alleviation through charity. Unemployment benefits are being

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The American economists as individualists certainly with in the belief that unemployment was due to causes of a personal nature. Unemployment was regarded as part of the general problem of poverty and poor relief, relief mainly from the inadequacy of the sufferers themselves. The relief measures adopted were only such as would save the needy from utter destitution. As the total volume of unemployment continued to increase, various methods were advocated to solve the problem. These attempts indicate a changing viewpoint. The opinion is now prevalent that involuntary unemployment is beyond the control of the worker and his condition is not one which calls for alleviation through charity. Unemployment benefits are being

advocated as a means of providing relief from the distress resulting from unemployment.

Existing plans for providing benefits fall into two classes: namely, state plans and private plans. The state plans may be either voluntary or compulsory. The private plans may be either trade union, joint agreement or company plans.

Voluntary systems are those in which unemployment insurance through private organizations is subsidized by the state. Nowhere near all of the workers eligible have taken advantage of the opportunity to participate in these funds.

Compulsory plans are those in which unemployment insurance is obligatory by legislation for certain classes of workers. The unexpectedly heavy and constantly increasing burden of unemployment in the last few years has imposed such severe strain on these systems that emergency measures, literally amounting to charity relief, have been imposed upon the insurance system.

Private plans of the trade unions or joint agreement variety have usually been confined to a single occupation or to a related group of occupa-

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Existing plans for providing sickness benefits fall into two classes: namely, state plans and private plans. The state plans may be either voluntary or compulsory. The private plans may be either trade union, joint agreement or company plans.

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Private plans of the trade unions or joint agreement variety have usually been confined to a single occupation or to a related group of occupa-

tions. The extremely limited coverage afforded by these plans prevents them from having any significant effect on general conditions.

Company plans controlled wholly or largely by employers are confined to the plants of single companies or to groups of companies situated in the same community. These plans are too few in number and include too small a percentage of the workers to prove even a partial solution of the unemployment problem. Interest in such plans is increasing rapidly and if public opinion becomes sufficiently aroused it is possible that more of such plans will be instituted to forestall legislative action in the matter.

European experience indicates that while a system of insurance may provide relief for unemployment under normal conditions, such systems are entirely inadequate to meet emergency situations that arise when business depressions produce unforseen unemployment. Thus, while unemployment in general cannot be dealt with on an actuarially sound basis, it is possible to apply insurance principles, if the insurance plan is definitely

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European experience indicates that while a system of insurance may provide relief for unemployment under normal conditions, such systems are entirely inadequate to meet emergency situations that arise when unusual depressions produce unprecedented unemployment. Thus, while unemployment in general cannot be dealt with on an actuarially sound basis, it is possible to apply insurance principles, if the insurance plan is definitely

limited in coverage and is held strictly within the limits laid down at the start.

Insurance has never been able to care for depressional unemployment without becoming charity. Technological and cyclical unemployment may be compensated for a limited period if insurance plans are developed with proper foresight and safeguards. Unemployment caused by personal disqualifications of employees must be excluded from any insurance plan. Thus, the field for unemployment insurance is confined to seasonal unemployment, which in relation to the whole field of unemployment seems a very limited field.

Financial assistance for the unemployed in the form of insurance must be recognized as a palliative rather than a curative measure. It is intended to assist the worker but not to provide for his entire support. However, benefits should be adequate to cover absolute necessities, but should be set at a figure low enough that considerable incentive will be left the worker to find new employment or to engage in part time work to supplement the amount of benefit. Assistance in meeting the problem of

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Insurance has never been able to cure for depressional unemployment without becoming costly. Technological and cyclical unemployment may be compensated for a limited period if insurance plans are developed with proper foresight and safeguards. Unemployment caused by personal disqualifications of employees must be excluded from any insurance plan. Thus, the field for unemployment insurance is confined to seasonal unemployment, which in relation to the whole field of unemployment seems a very limited field.

Financial assistance for the unemployed in the form of insurance may be recognized as a palliative rather than a curative measure. It is intended to mitigate the worst but not to provide for full active support. Further, benefits should be adequate to cover absolute necessities, but should be set at a figure low enough that considerable incentive will be left the worker to find new employment or to engage in part time work to supplement the amount of benefit. Assistance in meeting the problem of

unemployment does not imply assumption of the responsibility for the entire economic support of the worker.

Provision for the limitation of benefits to a definite period avoids giving undeserved support and acts as an incentive to work and save.

Emergency measures, necessitated by the heavy drain on reserves during a period of extreme unemployment, should be kept entirely separate from the insurance plan and classified as pure relief measures. Only in this way may the true effects of unemployment insurance be measured.

Increasing attention is now being given to various forms of insurance as a method of protecting workers from the extreme effects of unemployment, sustaining the standards of the wage earners of the country at a high level, and eliminating the stigma associated with charity. The establishment of a federal system of insurance against unemployment does not seem desirable at present. The feeling is that the adoption of any unemployment insurance plans should be left to the individual employers in accordance with the

unemployment does not imply abdication of the responsibility for the overall economic support of the worker.

Provision for the financing of benefits in a definite period would give unconserved support and aids or be incentive to work and save.

Emergency measures, necessitated by the heavy drain on reserves during a period of extreme unemployment, should be kept entirely separate from the insurance plan and classified as pure relief measures. Only in this way can the true objects of unemployment insurance be secured.

Increasing attention is now being given to various forms of insurance as a method of protecting workers from the serious effects of unemployment, maintaining the standards of the wage earners of the country at a high level, and eliminating the stigma associated with charity. The establishment of a federal system of insurance against unemployment does not seem desirable at present. The reason is that the adoption of any unemployment insurance plan should be left to the industries employed in accordance with the

American principles of individual freedom, responsibility, and self-help. It is generally believed that when an individual employer covers his insurance risk by his own fund a greater incentive exists to reduce the unemployment risk and various methods of effecting stabilization will be utilized in an endeavor to reduce insurance costs. The determination and control of the risk in an individual plant is best done by the individual employer. In addition, such a policy would distribute the costs of such measures in accordance with the responsibility involved and the benefits derived.

There has been a growing feeling of late that if private voluntary plans did not progress more rapidly, legislative action should be taken by individual states. However, to date, Wisconsin is the only state to have passed such legislation. The development of company plans has been sluggish in the past but an impetus is provided in the insistence of the public for some action, either voluntarily or by compulsion.

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